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ROYAL COMMISSION ON

# Publications

HEARINGS

HELD AT  
OTTAWA

VOLUME No.:

**30**

DATE:

**JAN 18 1961**

OFFICIAL REPORTERS  
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TORONTO  
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ROYAL COMMISSION ON PUBLICATIONS

Rebuttal and argument before the  
Royal Commission on Publications,  
held in the Parliament Buildings,  
Ottawa, Ontario, at 10.30 a.m.,  
Wednesday, January 18th, 1961.

COMMISSION:

M. GRATTAN O'LEARY	Chairman
J. GEORGE JOHNSTON	Member
CLAUDE P. BEAUBIEN	Member

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P. MICHAEL PITFIELD	Secretary
G. H. QUINN	Administrative Officer

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I N D E X

Page No.

SUBMISSIONS:

Toronto Star Limited (Mr. B.H. Honderich)	2 - 32
Montreal Standard Publishing Company (Mr. M. Farrell) (Mr. C. Ballantyne)	33 - 149
Maclean-Hunter Publishing Company Limited (Mr. F.S. Chalmers)	150 - 210
Canadian Kennel Club (Mr.M.F. Brown)	250 - 252
Professional Institute of the Public Service of Canada	253 - 256
Publishers' Institute, Winnipeg, Manitoba. (Mr. J.E. Golightly)	257 - 262

EXHIBITS:

No. O-135: The Toronto Star Limited. Recommendations	142
No. O-136: The Montreal Standard Publi- shing Company. Rebuttal and Final Submission	142
No. O-137: Montreal Standard Recommendations	142





MR. QUINN: Would you identify yourself for the record, please?

MR. HONDERICH: Mr. Chairman, members of the Commission: My name is Beland Honderich. I am Vice-President of the Toronto Star. I am appearing here today on behalf of the Star Weekly, which we publish.

SUBMISSION OF  
TORONTO STAR LIMITED

APPEARANCE:

Mr. Beland H. Honderich                      Editor.

In our submission to the Commission in Toronto on December 15th, we endeavoured to establish three main points:

Firstly: That U.S. magazine publishers are, in effect, dumping editorial material into Canada and, therefore, enjoy a competitive advantage over Canadian magazines in the Canadian market.

Secondly: That unless steps are taken to enable Canadian magazines to compete on an equitable basis with foreign publications, Canadian periodicals will disappear and Canadians will be deprived of magazines of distinctive Canadian content.

Thirdly: That, in our opinion, the only satisfactory solution to the problem

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1. *Antropología* (1950)

Dr. Alfred Weiss, 2, 1/2 St. : 1981

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rests in action that will enable Canadian publications to obtain a larger share of the Canadian advertising dollar.

Today, Mr. Chairman, I would like to outline certain specific recommendations which, in our opinion, would help to restore the competitive balance in the magazine industry.

In preparing our recommendations, we were guided by three main considerations:

We believe it is desirable that Canada should have a strong periodical press. Canada has no national newspapers that have substantial circulation and influence across the country. Without Canadian magazines, Canadians would have no printed media with a nation-wide readership.

Secondly: We feel no special incentives should be provided to foreign magazine circulating in Canada.

Finally, we believe that instead of applying restrictive tariffs against U.S. magazines entering Canada, positive steps should be taken to provide incentives for Canadians to advertise in Canadian periodicals.

With these three considerations in mind, we studied the various recommendations submitted to the Commission and we have tried to develop one or two ideas of our own which may be helpful





to the Commission in determining how this problem might be resolved.

Our studies have convinced us that while there may be several ways of dealing with the unfair competition of foreign publications, they will not be successful unless they have the effect of re-directing Canadian advertising from American to Canadian periodicals. The financial plight of the Canadian magazine industry is due in large part to the fact that over \$8 million of Canadian advertising is placed each year in American publications including the so-called Canadian editions of American magazines. If the greater part of this money was spent in Canadian periodicals, the position of Canadian publications would be greatly improved.

In order to give effect to our proposals, it is necessary to distinguish between a Canadian and a non-Canadian periodical. We define a "Canadian" periodical as one which devotes at least 55 per cent of its editorial space, on an annual basis, to editorial matter produced by Canadians, providing that comics, which are not available in Canada, are not included as editorial matter. This would ensure strong Canadian emphasis in Canadian magazines and, at the same time, provide ample room for the publication of material prepared exclusively for a Canadian





audience by non-residents.

By this definition, the 14 issues of The Star Weekly published between October 1 and December 31 last contained 59 per cent Canadian editorial content. Our picture and magazine sections contain predominantly Canadian material; that is, material produced by Canadian writers, photographers and artists. Our comic section consists of material which we obtain in the United States for the simple reason that there are no four-colour Canadian comics. Our novel is usually obtained from the United States because Canadians do not produce enough book-length novels, suitable for condensation, to meet our requirements. Due to the limited supply of Canadian fiction, we do not think that a Canadian content requirement of more than 55 per cent would be practical. In our case, a higher requirement would force us to limit the fiction material presently published.

The Periodical Press Association has suggested that Canadian content should be at least at 75 per cent, but the association defined Canadian content as material "originated specifically for Canadian readers". Under our definition, 55 per cent of the material would have to be produced by Canadian writers, photographers or artists. We think that such a requirement will do more to encourage the Canadian arts than





a requirement which may be satisfied by using foreign writers, photographers and artists. Material produced by non-residents exclusively for Canadian readers would not qualify as Canadian content under our definition.

We gave consideration to Canadian ownership as one of the requirements of a "Canadian" periodical but we were advised that, unless stock ownership is limited strictly to Canadians, ways could be found to have effective control vested abroad even though ostensible control appeared to be in Canada. On this point, we are inclined to think that the test of a Canadian magazine should be its performance by way of editorial content and not its ownership and control.

Turning now to the specific measures which we feel are necessary to restore the competitive balance in the general magazine field (and this is the only area in which we are competent to comment), I would like to say that we do not regard tariffs or anti-dumping duties as suitable measures, except as a last resort. Notwithstanding our firm belief that certain American publishers are dumping editorial content into the Canadian market, we doubt if tariffs, which might have the effect of raising the newsstand prices of American publications, would be accepted by the public. On this point, too, we are mindful that



a per copy tariff applied against foreign publications in 1931 by a Conservative Government was removed in 1936 by a Liberal government which claimed among other things, that it interfered with the free flow of ideas between neighbouring countries.

Likewise, we do not think it advisable to withdraw sales tax exemptions from foreign publications published in Canada. Such action would be limited in nature as it would do nothing to deal with the problem of split runs or overflow circulation. It would not, in our opinion, get at the root problem.

A much better place to begin, in our opinion, is the postal rate. American magazines mailed in Canada now enjoy the same second-class postal rates as do Canadian periodicals. Since postal charges on second-class mail do not cover the post office department's actual handling expenses, the Canadian people are actually subsidizing the distribution of foreign magazines in Canada.

We believe there is justification for second-class postal rates which encourage the widest possible circulation of Canadian publications. But we do not think the Canadian people should be asked to subsidize the distribution of foreign periodicals.





In our opinion, second-class postal privileges in Canada should be confined to genuine "Canadian" publications and foreign publications should be charged a postal rate that more closely approximates the actual cost of handling.

The second-class postal rate on monthly and semi-monthly magazines is now 1-3<sup>3</sup>/<sub>4</sub> cents per pound; on weekly publications it is 3 cents a pound. In our opinion, the rate on foreign publications could be increased to 4-1<sup>1</sup>/<sub>2</sub> cents per pound which would come much closer to meeting actual handling charges.

If the rate was increased beyond this figure, the higher rate might have the effect of prompting American publishers to mail their magazines in the United States as second-class mail. In that event under present international postal arrangements the Canadian post office would still have to handle them within Canada, but would receive no payment of any kind.

In respect to The Star Weekly, we have long been at a loss to understand why we are charged higher postal rates than other publications which compete with us for readers and advertisers. Weekly magazines pay 3 cents a pound whereas semi-monthly and monthly periodicals pay only 1-3<sup>3</sup>/<sub>4</sub> cents. It is argued that since the government subsidizes second-class mail, periodicals published





most frequently should pay the highest rate. But this policy does not seem to be reflected in the rate structure as the semi-monthlies pay the same rate as the monthlies for the same weight.

The inequitable rate charged for Star Weekly mailing is further emphasized when one considers that The Star Weekly mailings are in bulk from the Toronto post office to other post offices throughout Canada where in most cases our wholesalers pick up their papers in bulk at the post office for delivery to the news dealers.

The semi-monthlies and monthlies, and most other weeklies, burden the post office with much more work. Each single mail subscription must be sorted and delivered by postmen to individual homes across Canada.

In contrast, The Star Weekly is shipped in bulk in bundles of approximately 50 copies which require little sortation and delivery. Of The Star Weekly's total circulation of 950,000, less than 2,000 are mail subscriptions in Canada involving delivery to the individual subscribers, and these mostly occur in remote areas where our agents cannot service the subscriptions.

On the basis of evidence presented to the Commission, it would appear that the average cost to the Canadian post office of handling a

The monthly rate charged for the

piece of second-class mail is approximately 4.3 cents. We have no way of knowing how much of this cost is represented by the cost of delivering articles to individual homes and the cost of sorting each individual magazine, but it seems obvious that these parts of the mail delivery process, involving as they do large amounts of labour, must be the more costly part of the process. Thus it would appear that the shipment in bulk mail of The Star Weekly as it is now done is a much cheaper operation than the delivery of individual magazines to individual subscribers. It would also appear that The Star Weekly comes closer than the great majority of its competitors to paying its way through the mail.

For these reasons, we submit that The Star Weekly should be entitled to postal rates at least as favourable as those paid by our competitors. This could be done by establishing a bulk shipment postal rate that takes into account the lower cost of handling bulk shipments, or by affording The Star Weekly the same 1-3/4 cent a pound rate paid by the semi-monthly and monthly periodicals.

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An upward adjustment in postal charges for foreign publications would be a step in the direction of restoring the competitive balance between Canadian and U.S. publications. It would also put an end to the subsidy Canadian taxpayers are providing to foreign publications.

Increases in postal charges, however, will not by themselves resolve the problem. As mentioned earlier, we feel this can only be done by measures which will have the effect of redirecting Canadian advertising from foreign publications to Canadian publications. How can this best be done?

As the Commission is aware, the problem of unfair competition facing Canadian periodicals springs from three main sources:

- (a) Canadian editions of American magazines;
- (b) Overflow circulation in Canada of American magazines;
- (c) Split runs or regional editions of American magazines.

In our opinion, all three aspects of the problem can be attacked by suitable tax legislation which would have the effect of encouraging Canadian business to advertise in Canadian publications.

There are two ways in which this might be done.

Legislation might be enacted providing that 120 per cent of the advertising expenditures





placed in "Canadian" periodicals would be deductible for income tax purposes whereas only the actual cost of advertisements placed in non-"Canadian" periodicals would be deductible.

This would provide an incentive for Canadian business to advertise in Canadian periodicals without penalizing those who chose to advertise in foreign magazines. Such a measure, we feel, would apply with equal effectiveness to all aspects of the general magazine problem.

As an alternative the income tax law might be revised to provide that advertising expenditures for advertising in Canada in other than "Canadian" periodicals, including payments made for split run advertisements and service charges paid to foreign parents by Canadian subsidiaries for the benefit of overflow circulation, would be deductible as to 80 per cent of their cost.

These proposals would be an improvement over the former advertising tax as they would apply to split runs as well as the so-called Canadian editions of American magazines.

They would also meet the special problems created by overflow circulation. Canadian subsidiaries of American companies often pay a service charge to their parent companies for such things as the advertising benefits they derive from parent company advertisements appearing in American periodicals circulating in Canada. Under these proposals,



the portion of the service charge represented by advertising would be subject to the appropriate tax provisions.

The effect of these recommendations we believe would be to make it more attractive for Canadian business to advertise in Canadian periodicals.

This, of course, was the aim of the advertising tax imposed by the Liberal government in 1956 and rescinded by the Conservative government in 1957. While this tax applied only to Canadian editions and did not remain in effect long enough to clearly demonstrate what effect it might have, we are convinced that it represented a proper approach to the problem as it was an attempt to divert advertising to Canadian periodicals.

In assessing the effect of the advertising tax, it is well to bear in mind that advertising budgets are usually determined almost a year in advance. Because of this, it is not surprising that the tax, which was only in effect for 18 months, did not appear to have an appreciable effect on the advertising revenue of Time and Reader's Digest. Even so, Time's advertising revenue did not increase as rapidly as it had in former years. And had the tax been continued, we have every reason to believe that advertising would have switched from these periodicals to genuine Canadian magazines.

Finally, Mr. Chairman, we would recommend that magazines circulating in Canada with less than



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55 per cent Canadian content should not be allowed to identify themselves as Canadian magazines or even Canadian editions. We submit that it is improper and misleading for any magazine with only a few pages of Canadian editorial material to advertise itself as a Canadian edition. We think that the right to identify goods or periodicals as Canadian is a very valuable one which should be reserved to periodicals which truly qualify as Canadian.

In conclusion, may I say that some of the proposals we have made may appear novel or somewhat unusual. They are novel because we do not think that any measure or series of measures will be effective unless they have the effect of diverting advertising revenues not only from Canadian editions but also from U.S. magazines with overflow circulation and split runs in Canada.

We believe the problem of overflow circulation and split runs will tend to increase rather than decrease and any measure which does not deal with this will fail in its purpose.

THE CHAIRMAN: Thank you, sir. Mr. Johnston.

COMMISSIONER JOHNSTON: Mr. Honderich, how far ahead does the Star Weekly work? You are post-dated. What does it amount to in time?

MR. HONDERICH: We are usually from six to eight weeks ahead of time, although we can get material into the paper in 17 days.



COMMISSIONER JOHNSTON: I was just about to suggest you start on news but it isn't practicable if you have to stick to six weeks. You have made some suggestions here that are a bit different from some of the others, most of the others. This Canada content idea has been running around in my mind ever since this Commission was set up. It is very difficult to define. I think that the Board of Broadcast Governors are going to run into trouble. What is Canadian? Is Shakespeare Canadian?

MR. HONDERICH: No.

COMMISSIONER JOHNSTON: What about Ernest Hemingway?

MR. HONDERICH: No, not by our definition. But, Mr. Johnston, if you have 55 per cent Canadian content representing material produced by Canadians you still have 45 per cent of your space to devote to Shakespeare, Hemingway and anyone else.

COMMISSIONER JOHNSTON: Yesterday Mr. Laybourne, I think it was, or in any event in his part of the Time brief intimated or seemed to argue that the Canadian editions so-called of American magazines were a help to the Canadian magazine industry and they helped to build - I may be misquoting it or quoting it inaccurately - they help to maintain the Canadian magazine industry. Would you agree with that?

MR. HONDERICH: No, I wouldn't agree with it, but with some qualifications.





COMMISSIONER JOHNSTON: You would not agree with it?

MR. HONDERICH: No, I would not.

COMMISSIONER JOHNSTON: Yesterday the Chairman read some regulations with regard to the ownership of radio and T.V. stations in the United States. Don't you think that similar restrictions could be applied in Canada with respect to magazines?

MR. HONDERICH: This may be dangerous but I rather agree with Mr. Luce's answer that that is dealing with the airways that belong to the people, and therefore require licences and regulations. I don't think this applies to publishing.

COMMISSIONER JOHNSTON: Probably the Chairman can deal with that. I am a little puzzled by paragraph 11. You say we don't think it advisable to withdraw the sales tax exemption from foreign publications published in Canada. At present sales tax does not apply to any publications; is that right?

MR. HONDERICH: As I understand it, sir.

COMMISSIONER JOHNSTON: Does the Star Weekly pay sales tax on the paper and ink material?

MR. HONDERICH: No, sir.

COMMISSIONER JOHNSTON: There is no sales tax applied at all?

MR. HONDERICH: No, sir.

COMMISSIONER JOHNSTON: Have you looked into the International Postal Agreement to find out if we could charge more for foreign magazines than we charge our own people.

The first part of the paper is devoted to a discussion of the  
 various methods which have been proposed for the determination of  
 the rate of reaction between a solid and a liquid. It is shown that  
 the most reliable method is that of measuring the change in the  
 weight of the solid as the reaction proceeds. This method is  
 applicable to all cases in which the solid is insoluble in the  
 liquid. It is also applicable to cases in which the solid is  
 partially soluble, provided that the solubility is known. The  
 method of measuring the change in the volume of the solid is  
 also applicable to cases in which the solid is insoluble in the  
 liquid. It is also applicable to cases in which the solid is  
 partially soluble, provided that the solubility is known. The  
 method of measuring the change in the refractive index of the  
 liquid is also applicable to cases in which the solid is  
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 method of measuring the change in the electrical conductivity  
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 method of measuring the change in the optical density of the  
 liquid is also applicable to cases in which the solid is  
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 method of measuring the change in the viscosity of the liquid  
 is also applicable to cases in which the solid is partially  
 soluble, provided that the solubility is known. The method of  
 measuring the change in the surface tension of the liquid is  
 also applicable to cases in which the solid is partially soluble,  
 provided that the solubility is known. The method of measuring  
 the change in the density of the liquid is also applicable to  
 cases in which the solid is partially soluble, provided that the  
 solubility is known. The method of measuring the change in the  
 specific heat of the liquid is also applicable to cases in which  
 the solid is partially soluble, provided that the solubility is  
 known. The method of measuring the change in the thermal  
 conductivity of the liquid is also applicable to cases in which  
 the solid is partially soluble, provided that the solubility is  
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 expansion of the liquid is also applicable to cases in which the  
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 the change in the coefficient of thermal compressibility of the  
 liquid and solid is also applicable to cases in which the solid  
 is partially soluble, provided that the solubility is known.

MR. HONDERICH: Sir, we have discussed it, but I am afraid I am not competent to answer that question. I believe, though, Mr. Johnston there is an adjustment on parcel post between Canada and the United States at the present time. If there is I would see no reason why it wouldn't also apply to second-class mail.

COMMISSIONER JOHNSTON: The United States has agreed to that, I understand, because the parcel post flow into Canada is much greater than the parcel post flow to the United States from Canada.

MR. HONDERICH: The same would apply in periodicals.

COMMISSIONER JOHNSTON: Do you use the express companies at all in the distribution of papers?

MR. HONDERICH: On a very limited basis.

COMMISSIONER JOHNSTON: I suppose the reason you don't use them more is that the Post Office rates are better?

MR. HONDERICH: No, actually it is cheaper for us to truck papers in Ontario, as far west as Winnipeg and into Montreal than it is to send them by mail.

COMMISSIONER JOHNSTON: That is bulk shipments, real bulk shipments, you wouldn't stop at some small town and dump off 50 papers, would you?

MR. HONDERICH: Well, they would be





consigned to distributors, Mr. Johnston.

COMMISSIONER JOHNSTON: When the magazine tax was applied to Time and Reader's Digest didn't it result in an increase in the advertising rates for these publications?

MR. HONDERICH: I am not aware of that, sir.

COMMISSIONER JOHNSTON: I think there has been evidence here to that effect.

MR. HONDERICH: I believe I have heard it, but I cannot answer the question out of my own knowledge.

COMMISSIONER JOHNSTON: If advertising rates are advanced the advertising agencies are not likely to protest very vigorously, are they?

MR. HONDERICH: I don't think an advertising agency would like a tax. I don't think they would mind so much an increase in the cost of advertising. On a percentage basis I think it would reflect itself favourably in their accounts.

COMMISSIONER JOHNSTON: The more the advertiser pays the higher net income for the agency.

MR. HONDERICH: As I understand it, yes.

THE CHAIRMAN: Mr. Beaubien.

COMMISSIONER BEAUBIEN: Paragraph 5 on page 3 you state "the financial plight of the Canadian magazine industry is due in a large part to the fact that over \$8,000,000 of Canadian advertising is placed each year in American publications including



the so-called Canadian editions of American magazines. Have you any idea, can you make a split there in the amounts of advertising placed in, say, overflow magazine publications?

MR. HONDERICH: Mr. Beaubien, that figure of \$8,000,000 is based on 1959. It reflected the actual expenditures in Time and Reader's Digest. The revised figure for 1960, I believe, would be in excess of \$9,000,000. We did not attempt to estimate the overflow so I confined myself to the figure of the two Canadian editions.





COMMISSIONER BEAUBIEN: But, that \$9 million would cover, in your view, overflow?

MR. HONDERICH: No. The overflow would be in excess of that.

COMMISSIONER BEAUBIEN: Because you say here "... if the greater part of this money was spent in Canadian periodicals ..." -- no. That is not correct. But, you seem to imply here that \$8 million, or you are changing it to \$9 million would cover both overflow ...

MR. HONDERICH: This is the amount of money that is now being spent on advertising in Time and Reader's Digest. It does not take into account overflow. My statement is intended to mean that if the greater part of the \$8 or \$9 million figure were spent in Canada, it would greatly assist Canadian publications.

COMMISSIONER BEAUBIEN: On page 5, paragraph 9, you state: "We gave consideration to Canadian ownership as one of the requirements of a 'Canadian' periodical but were advised that, unless stock ownership is limited strictly to Canadians, ways could be found to have effective control vested abroad even though ostensible control appeared to be in Canada. On this point, we are inclined to think that the test of a Canadian magazine should be its performance by way of editorial content and not its ownership and control."



Do you not think that ownership and control is a very important factor in making and keeping a magazine Canadian?

MR. HONDERICH: Yes, I think it is a factor, sir; but, I do not think it is the only factor.

For example, if you stipulated that a Canadian periodical must be Canadian owned, we would then be in the position of discouraging any investment in Canada by outsiders in the publishing business. Perhaps, taking an extreme case of some person coming from Europe, to make his home in Canada, who wished to start a publication, he would not be a Canadian citizen for a number of years and he would be precluded from benefitting from these provisions.

Perhaps this is not too good an example; but, think of Saturday Night -- in the event that Mr. Cooke did become a Canadian citizen ...

THE CHAIRMAN: You mean an American citizen?

MR. HONDERICH: Or an American citizen -- I am sorry.

COMMISSIONER JOHNSTON: I suggest you make up your mind which he is.

MR. HONDERICH: .... and his magazine continue to be edited by the present staff, with Arnold Edinborough as the editor, and its content





continued on much the same lines as it is now, I would suggest this would be a Canadian publication.

COMMISSIONER BEAUBIEN: Well, I am not sure I agree with you.

THE CHAIRMAN: You do or you do not?

COMMISSIONER BEAUBIEN: I do not. On page 7, paragraph 15: "The second-class postal rate on monthly and semi-monthly magazines is now 1-3/4 cents per pound; on weekly publications it is 3 cents a pound. In our opinion the rate on foreign publications could be increased to 4-1/2 cents per pound ..." Do you mean to say that the rate could be increased to 4-1/2 cents a pound and still not discourage American publications from mailing the mail in Canada? I mean, are the rates over 4-1/2 cents per pound in the United States?

MR. HONDERICH: I believe that the rate there is 6-1/2.

COMMISSIONER BEAUBIEN: As compared to our 1-3/4 cents a pound in Canada?

MR. HONDERICH: Yes. That 4-1/2-cent figure, sir, is based on this calculation, that in 1959 when the postal charges on second-class mail in Canada were 25 per cent lower than the similar rate in the United States, certain American publications found it to be to their advantage to truck their papers into Canada and place them in



the mail. So, our figure represents a 25 per cent difference between the Canadian and the American rate.

COMMISSIONER BEAUBIEN: At page 10, paragraph 23: "An upward adjustment in postal charges for foreign publications would be a step in the direction of restoring the competitive balance between Canadian and U.S. publications. It would also put an end to the subsidy Canadian taxpayers are providing to foreign publications."

Whether it be a tax or whether it be, as you suggest here, increased postal rates, don't you think that it boils down to the same thing and that eventually the increased cost that would have to be borne by the American publications would be transferred to subscribers or to advertisers?

MR. HONDERICH: It would have to be assumed by either one of the two.

COMMISSIONER BEAUBIEN: So, whether it is a tax or increased cost in transportation, eventually, it will be reflected in charges to the advertisers?

MR. HONDERICH: Certainly.

COMMISSIONER BEAUBIEN: That is all, Mr. Chairman.

THE CHAIRMAN: Mr. Honderich, your Canadian content, 55 per cent -- how would you apply





that to Reader's Digest? Here is a magazine dealing with matters of universal appeal. It might be Christianity. It might be Judaism. It might be motherhood. It might sex. These are not exclusive American possessions, really. Just what do you do in a case like that? What would you do with Reader's Digest?

MR. HONDERICH: It would not be a Canadian publication, by our definition, and would not be entitled to any of the incentives.

THE CHAIRMAN: Would the definition rest on Canadian content?

MR. HONDERICH: In my opinion, this is one of the factors.

THE CHAIRMAN: If it rested on Canadian content, you would have to change the entire character of the magazine?

MR. HONDERICH: They would still be free to send their magazine into Canada, paying their own way.

THE CHAIRMAN: Paying the tax?

MR. HONDERICH: Yes. If a tax were applied and paying postal rates if they were to be charged their ...

THE CHAIRMAN: Instead of what we are getting in Reader's Digest, we would get articles written by Canadians, or written about Canada and



nothing that would come under your definition of Canadian matter?

MR. HONDERICH: I am not too sure I understand what you say.

THE CHAIRMAN: Instead of getting what we get now in Reader's Digest, they would have to alter the entire character of the magazine altogether, or matter dealing with Canada, with Canadian affairs, written by Canadians, or matter directed to a particular Canadian interest. This is what I understand by Canadian content.

MR. HONDERICH: No. They could send the same magazine into Canada that they are sending now and merely pay their own way.

THE CHAIRMAN: Where would the Canadian content operate?

MR. HONDERICH: It would not apply, except if they wanted to qualify for any incentives where it was provided for the encouragement of Canadian magazines and it would in no way restrict distribution or circulation in Canada.

THE CHAIRMAN: And how, precisely would we test the Canadian content stipulation?

MR. HONDERICH: Our definition, sir, is that articles written by Canadians, illustrations prepared by Canadian photographers and artists ...

THE CHAIRMAN: Now, on the question of ownership, you say at page 5: "... unless stock





ownership is limited strictly to Canadians, ways could be found to have effective control vested abroad ..."

What do we do in the case of the Canadian Pacific Railway where the majority of the stock is held abroad? If I remember rightly, just a fraction is held in Canada, but we do maintain effective control of the Canadian Pacific Railway. I am going to ask Mr. O'Brien when he comes here about this. I understand he knows something about the Canadian Pacific Railway. But, I understand this is a fact: We do retain absolutely effective control of the Canadian Pacific Railway with probably 80 per cent of the stock held outside of Canada. Where does your argument apply there? How did you come to this conclusion? Who told you that it would be terribly difficulty to maintain this control?

MR. HONDERICH: Mr. Chairman, that statement is based on the advice of our solicitor. I am not competent to answer your question.

THE CHAIRMAN: That is all I am asking you. You did have the advice of a solicitor?

MR. HONDERICH: Yes. In the room today I have the solicitor who gave us this information and if you wish, he would be available to discuss this question.

THE CHAIRMAN: I would like to hear from him later on. Do you really believe that there can



be a truly Canadian periodical unless the control is in Canada? Now, you are an editor. You know perfectly well that the effective control of the policies of the Star Weekly, even though they must trust you implicitly, still remains with the people who own the paper. That is true?

MR. HONDERICH: Yes.

THE CHAIRMAN: I mean, these titles are very nice and sometimes they are in lieu of salary, but every editor knows, and he must know this is right?

MR. HONDERICH: Yes, I agree with you.

THE CHAIRMAN: Nobody sues me; they sue the Journal Publishing Company. So, the effective control is with the man who owns the magazine. So, surely, you can't have a truly Canadian publication unless you have effective control in Canada, and what I mean by effective control is effective control of the paper's character, of its aim, of its emphasis, its direction, and everything that makes it a magazine. This is my point.

Now, you mentioned a moment ago -- as you said you agree with Mr. Luce. What do you agree on with Mr. Luce? Mr. Luce was arguing on an entirely different thing from what I was. He said, quite truly, that the licensing of radio and television stations is something entirely different from the publication and a newspaper.





That is true. I didn't dispute that. But, why did they have the provision about aliens? They did license people eventually. They licensed Mr. Luce. Why? Because he was an American. They wouldn't have licensed Mr. Honderich or Grattan O'Leary. The reason for not licensing an alien was that they wanted to keep control of this channel which might influence opinion in the United States. That was the sole reason and if you read the debates in Congress, you would see that there was no distinction between a newspaper and a radio station. There is, but that was not the argument when the regulations were laid down. The argument was that radio and television could in fact influence American opinion in a national crisis and, so, they said no alien shall get a license and no license shall be given to any organization which might be controlled by aliens or which might have aliens in its membership. We weren't arguing the virtues of licensing or not licensing. The fact is they did license. They licensed the C.B.S. They licensed N.B.C. They licensed A.B.C. and private stations, including Mr. Luce and other Americans and we in our broadcast rules and regulations do precisely the same thing. We give them to Canadians, but we would not give one to Mr. Luce.

Now, my argument is and I have been arguing -- I may be wrong -- but, my feeling is



that powerful media of communications, such as a magazine like Time, or Reader's Digest, or anything else, do have as powerful an impact on public opinion as a radio station or a television station. In fact, I would argue that the printed word is more effective, more persuasive, that it has more to do with what the Madison Avenue boys call "Engineering Consent"; and, so, I think the same argument applies in the United States. I asked Mr. Luce this: There is not a single powerful printed word organization in the United States owned outside of the United States, not one, and I doubt if the American people would permit a magazine of the power and influence of Time, and over there, in proportion to population, it would have at least 2 million circulation -- I doubt if they would permit it to circulate in the United States without a lot of protest. And so, in my view, if we are talking about Canadian publications, and this is a very sensitive thing -- this is not a boot and shoe manufacturing establishment. You are not making motor cars now. You are dealing with opinion and this is the most vital thing in this country. So, my view on this, and it may not be the view of my fellow Commissioners, is that if we are going to talk about a Canadian magazine, we have got to talk about or think about a publication which is owned and controlled



It is not clear, however, whether the "data" referred to in the letter are the same as the "data" referred to in the letter to the President dated 10/10/50.

2. Identify the demand as "refined" or "unrefined."

related information is available at:

and edited in Canada, by Canadians.

Let us put it this way: Supposing a dispute arose between Canada and the United States of a vital character. Do you suppose that the editors in Canada of a magazine calling itself Canadian, but owned in New York, by Mr. Luce or anybody else, would be free to take a position on our side? Supposing a dispute arose over the St. Lawrence Seaway, in the next decade. Would a magazine in Canada, dealing with opinion, influence of opinion -- would that editor with his publication owned in New York, and his boss in New York, with power to hire and fire -- would he be in a position to come out and take our side of the case, or in any other country? Now, this is what I am talking about. If we are going to argue on this thing, for heaven's sake, let us deal with it effectively. I do not accept your argument that this cannot be done. Nobody in New York controls the Canadian Pacific Railway. Nobody in London controls it effectively. We do it. We have done it by some kind of an Act of Parliament. I am not familiar with it. I have read it, but there is provision that Canadians keep control of the destiny of the Canadian Pacific Railway, owned outside of Canada.

I think we can do it, but if we are



going to define what constitutes a Canadian periodical, I think we have to say a periodical owned in Canada, by Canadians. I think we have got to say this, because this is something different from an institution even as the Canadian Pacific Railway, or as a man making motor cars, or boots and shoes, or what have you. This is a vital thing in our life at the present time, that we do retain control of agencies dealing with Canadian opinion.

Now, I do not know any other way of doing it. If Mr. J. Kent Cooke goes to California and becomes an American citizen and continues to own Saturday Night, or continues to own Liberty, he in fact remains the editor, the man who controls the policies of its editorial.

I do not see how we can do it any other way. I am not saying this is what we are going to do, but, certainly, this is one of the alternatives we have to consider and I do not think we are going to do much to control the opinion or the impact of these magazines on our Canadian life merely by increasing postal rates here. We have looked into postal rates. Postal rates can do something. Alone they can do very, very little. This is one of the first things we looked at and we are tired of discussing Canadian content. This has been done over, over and over again and we do not





feel that this is the solution. It certainly is not the solution alone. I think we have a few other gimmicks which we might come up with.

COMMISSIONER JOHNSTON: Don't call them gimmicks, sir.

THE CHAIRMAN: I think we will have to. That is all, sir.

MR. HONDERICH: Thank you, sir.

THE CHAIRMAN: Thank you very much.

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THE CHAIRMAN: Gentlemen, I am going to recess for five minutes.

---A short recess.

---Upon resuming at 11.30 a.m.

MR. QUINN: Would you identify yourself for the record, please?

MR. FARRELL: I am Mark Farrell, General Manager of the Montreal Standard Publishing Company and Craig Ballantyne, our Editorial Director, is here too.

Sir, would you like us to read our recommendations and our brief or only one?

REBUTTAL AND RECOMMENDATIONS  
of the  
MONTREAL STANDARD PUBLISHING COMPANY

APPEARANCE:

Mr. Mark Farrell,	Vice-President and General Manager.
Mr. Craig Ballantyne	Editorial Director.

THE CHAIRMAN: Whatever you prefer, sir. If you want to read them, we will be glad to hear you.

MR. BALLANTYNE: We would like to read the rebuttal and the final submission which runs rather long.

THE CHAIRMAN: Read them both then. We will take your figures as read.



MR. BALLANTYNE: Yes. We did not intend to go into the tables.

This is the rebuttal and final submission.

### INDEX

Introduction	Page 1
Rebuttal of Initial Submission of Time International of Canada Ltd.	Page 3
Rebuttal of Submission of the Reader's Digest Association (Canada) Ltd.	Page 5
CONCLUSION	Page 26
INTRODUCTION TO APPENDICES	Page 27
Reproduction of pages 14 and 15 of Time Inc. Annual Report for the year ending December 31, 1959.	Appendix A
Explanatory Note to Appendices B 1 to B-3 inclusive.	Appendix B
Tabulation of Advertising Revenue by Media Classifications 1948-1950-1958	Appendix B-1
Percentage Share of Advertising Revenue by Media Classifications 1948-1950-1958	Appendix B-2
Percentage share of Advertising Revenue by National Weekends, Star Weekly, and The Standard/Weekend Magazine 1948-1950-1958	Appendix B-3
Explanatory Note for Appendices C-1 to C-18 inclusive	Appendix C
Reader's Digest	Appendix C-1
Maclean's	Appendix C-2
Liberty	Appendix C-3
Chatelaine	Appendix C-4
Canadian Home Journal	Appendix C-5





Canadian Home & Gardens	Appendix C-6
Saturday Night	Appendix C-7
Mayfair	Appendix C-8
Time (Canadian Edition)	Appendix C-9
La Revue Populaire	Appendix C-10
La Revue Moderne	Appendix C-11
Le Samedi	Appendix C-12
Star Weekly - Picture Section	Appendix C-13
Star Weekly - Magazine	Appendix C-14
Weekend Magazine	Appendix C-15
La Patrie	Appendix C-16
La Presse	Appendix C-17
Le Petit Journal	Appendix C-18
Comparative Growth of Circulation of the Ten largest (1952 Circulation) Canadian Magazines, excluding Farm Magazines	Appendix D-1
Comparative Growth of Advertising Revenue of the Ten largest (1952 Circulation) Canadian Magazines, excluding Farm Magazines	Appendix D-2
Comparative Growth of Circulation of the Ten largest (1952 Circulation) U.S. Magazines, excluding Farm Magazines	Appendix E-1
Comparative Growth of Advertising Revenue of the Ten largest (1952 Circulation) U.S. Magazines, excluding Farm Magazines	Appendix E-2
Comparative Growth of Circulation of the Ten largest (1952 Circulation) Magazines in Great Britain, excluding Farm Magazines	Appendix F



Reproduction of subscription offer of Reader's Digest to non- subscribers, January 1961.	Appendix G-1
Renewal subscription offer of Reader's Digest to subscribers, January 1961	Appendix G-2
BILINGUAL PUBLICATIONS 1764-1959	Appendix H
Failures 1948-1959 of Canadian Magazines Audited by ABC that are not shown on page 67 of the Ap- pendices to the submission of the Reader's Digest	Appendix J
Reproduction of Reader's Digest advertisement appear in Advertising Age - November 21, 1960.	Appendix K

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The Montreal Standard Publishing Co. Ltd., publishers of Weekend Magazine, Perspectives and The Standard, would like to thank the Royal Commissioners for this opportunity to appear again before the Commission.

In our initial submission in Montreal on December 5th, we set forth the reasons for our belief that the Canadian periodical press was suffering from unfair competition, most particularly from U.S.-owned magazines with so-called "Canadian" editions.

In recommendations forwarded to the Commission on December 29th, course of action were proposed to the Commission which we believe would check this unfair competition.

Today, for purposes of rebuttal, we propose to restrict our comment basically to the submission of those magazines publishing "Canadian" editions, namely Time and Reader's Digest, believing this to be the core of the problem.

In our initial submission we drew attention to the basic operation of a publication: How from editorial content the circulation was obtained, from the circulation the advertising revenue, and from this revenue the production and editorial costs met.

All this starts with the editorial matter. In the present situation Time Magazine

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and Reader's Digest are able to take editorial material already processed, dump it into a Canadian edition at low cost and reap the advertising benefits. Yet in the initial submissions by Time Magazine and Reader's Digest this primary editorial cost is almost ignored. On the other hand throughout the submissions of Canadian publications there are repeated references to the editorial costs, running in most instances to more than 10 per cent of total budgets.

The money available for editorial costs bears a direct relation to total revenues and resources. Both Time Magazine and Reader's Digest have drawn attention to the strengths of their organizations and it is clear that their immense resources must give their "Canadian" editions an advantage over genuine Canadian periodicals.

For example Time Incorporated in its annual report to stockholders for 1959 showed total revenues from all sources in the consolidated statement of income at \$271,373,088.00 with revenues from magazine advertising at \$174,000,000. This is quite an operating base.

From the same annual report we would like to draw attention to a map (Appendix A) showing the extent of Time Incorporated's world wide communications facilities. These are resources which help produce the "Canadian" edition



7 and to secure Canadian advertising.

The resources of Reader's Digest also give great advantages. The central editorial pool of this magazine for one year can be estimated to have a value of from \$6,000,000 to \$13,000,000.

That is quite a range, but it is explained a little later in the brief.

I am ready now to deal with the direct rebuttal to the initial submission of Time.

I realize yesterday in the further submission there were some changes of opinion or division of opinion. I would like to deal with the initial one because that is on record and we want to reply to it.

Page - 1, Quote: "Inherent and basic in the terms of reference is that the freedom of the press must at all times be maintained."

Comment: We contend that the phrase "freedom of the press" has been introduced in the Time submission in a way which is not only irrelevant but which obscures the real issues. We cannot see how this ill-defined freedom of the press can mean freedom to dump an editorial product or take advantage of any such unfair business practice.

Page - 3: Quote: "The respective roles of the newspaper and the magazine vary substantially from nation to nation."





Comment: This statement is used to lead into an argument seeking to prove a ratio in Canada which would indicate a prosperous Canadian magazine business. We submit that this comparison is not valid when population and geographic factors are taken into consideration.

Page - 3, Quote: "A uniquely Canadian publishing phenomenon for which there is no counterpart in any other country ... the weekend newspaper."

Comment: That this is nonsense has already been shown by Exhibit O-31-60 entered with the Commission, which lists many similar U.S. publications.

Page - 5, Quote: "Weekend magazines are ... the true competition of the Canadian magazine publishers and should be so identified."

Comment: It is not competition but inequitable competition which is being dealt with. Weekend magazines are competition. So are the newspapers, television, radio. But there is a world of difference between normal trade competition within a country and competition coming from a processed product dumped from a foreign country.

Page - 11, Quote: "The revenues of all the editions determine the scope, quality



"and capacity of Time's editorial and publishing operations, and no one edition is a by-product of another."

Comment: Again this emphasizes the resources of Time. Moreover, since 90 per cent of the "Canadian" edition is processed material drawn from the parent edition, the "Canadian" edition would appear to be a by-product. We would agree that the U.S. edition is not a by-product of the "Canadian" edition. In explaining its costs structure Time cites expenses in Canada in comparison with those in the U.S. and lists production, distribution, advertising promotion, circulation promotion, advertising selling and administration. It is significant that there is no mention of editorial costs, the dumped processed material without which this magazine does not exist.

Page - 12, Quote: "That the Canadian edition of Time, not only in its Canadian section but throughout, and the other editions of Time add in large measure to the richness and variety of Canadian life and to the culture and unity of Canada" ... "Indeed so much Canadian news is carried in Time that it may be said confidently that no other journal provides as much information about Canada to as many readers throughout the world."





10

I would like to digress for a moment here. In the submission yesterday Time magazine led off Chapter 1 which is the second quote I just read. However, they mis-quoted themselves and left out the two words "about Canada" which seemed to us to be very pertinent. The original reads "No other journal provides as much information to as many readers throughout the world." The submission which I just read reads "No other journal provides as much information about Canada to as many readers throughout the world." -- leaving out the words "about Canada".

Comment: This confidence appears misplaced if the list of Canadian stories set forth in Appendix A of the same submission is examined. By this extraordinary yardstick anything touching on Canada or Canadians becomes a Canadian story. By this process even Shakespeare becomes a Canadian.

I might point out this was written prior to Mr. Johnston's comment, but we seem to have arrived at the same conclusion.

I think arising from the fact that in Time's list, they list simply under Canadian stories the one word "Shakespeare", which we thought was rather odd.

Page - 15, Quote: "We invite the Commission to consider whether Time Canada



1 "is not in all essential respects a Canadian periodical, having regard to the character and quality of its content and the nature of its publishing operations."

Comment: This outrageous claim is made above the signature of a citizen of the United States about a magazine which is owned in the United States and which is edited in the United States and which to date is printed in the United States.

Of course, it is also posted there. I realized this was not agreed with by Mr. Luce yesterday, but this was in the original submission.

I will deal next with the Reader's Digest submission and our rebuttal.

Rebuttal of Submission of The  
Reader's Digest Association  
(Canada) Ltd.  
Selection du Reader's Digest  
(Canada) Ltee.

Page - 1, Quote: "Canadians were buying 450,000 copies of the United States edition a month by late 1943. On December 17th of that year The Reader's Digest Association (Canada) Ltd. - Selection du Reader's Digest (Canada) Ltee. was incorporated under Canadian laws. In the same year the printing of copies of the U.S. edition destined for Canada commenced in this country."



12

Comment: On January 1, 1943, newsprint rationing was introduced in Canada and in the U.S. It is suggested that it was in the interest of Reader's Digest to print these 450,000 copies in Canada at this time. By so doing they or their printer must have been able to get a Canadian paper quota for these 450,000 copies, thus enabling them to print another 450,000 American copies under their U.S. quota.

Page - 3, Quote: "The Canadian company had a staff of 30 in 1948; today it employs 430 persons."

We believe this is a misrepresentation. Throughout the brief and the appendices there is no mention of the book publishing or record selling ventures of The Reader's Digest Association (Canada) Ltd. Thus the impression is given that 430 people work for their periodicals. This is not true. A certain number of these people must work in their book publishing and record branches.

Page - 5, Quote: "By selecting from other publications articles that seemed of wide and lasting interest, and by condensing each to its inner core, a magazine was achieved different from others in intent and approach. This remains true of The Reader's Digest today."



... in the United States and in the U.S. ...  
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... at the same time, to be doing their ...  
... must have been able to get ...  
... 450,000 copies, thus enabling ...  
... 450,000 American copies ...  
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We believe there is a misrepresentation that the majority of articles are either original or planted articles.

Page - 8, Quote: "The Digest pays many other magazines for the right to reprint articles. Thus other magazines are essential to The Reader's Digest, and in consequence the Digest's editors and business executives have always had at heart the continued good health of all magazines, large and small."

Misrepresentation: The Digest's advertising urges the public to purchase the Digest in the place of all leading magazines. This is shown in its most recent subscription offer "How you can read just one magazine and keep abreast of all the leading magazines and books." The underlining is the Digest's. This subscription offer is reproduced in full in Appendix G-1.

Page - 9, Quote: "The record further shows that the Digest does not actively compete with other magazines in bidding for exclusive rights to stories and articles or for the exclusive services of writers."

Misrepresentation: The Reader's Digest does actively compete. We quote from "Little Wonder" by John Bainbridge, published 1945-6. I believe the practice has remained essentially the same.

1. The first part of the report is devoted to a general survey of the situation in the country.

2. The second part of the report is devoted to a detailed analysis of the economic situation.

3. The third part of the report is devoted to a detailed analysis of the social situation.

4. The fourth part of the report is devoted to a detailed analysis of the political situation.

5. The fifth part of the report is devoted to a detailed analysis of the cultural situation.

6. The sixth part of the report is devoted to a detailed analysis of the international situation.

7. The seventh part of the report is devoted to a detailed analysis of the future prospects.

8. The eighth part of the report is devoted to a detailed analysis of the conclusions.

9. The ninth part of the report is devoted to a detailed analysis of the recommendations.

4  
Pages 23-24:

"Although many magazine editors and publishers have become privately critical of the Digest, nearly all are publicly neutral toward it and professionally in favour of it. This is curious, for it would seem to mean that the majority of magazine people are in favour of assisting a magazine which is their competitor. As the Digest now goes into the open market to commission writers to do a large number of its articles, it must necessarily compete with other magazines in buying editorial material. This fact of publishing life, still apparently not known to some magazine editors, was brought home bluntly not long ago to the editors of Life. Before Eric Johnston, then president of the United States Chamber of Commerce, made his widely advertised trip to the Soviet Union in the spring of 1944, Life arranged to buy an article which he planned to write about his Russian experiences. The morning after Johnston's return to this country, two editors of Life visited him in his suite at the Waldorf. 'My, this has been a busy morning,' Johnston said as he greeted them. 'Mr. Wallace of the Digest just this minute left.' Mr. Wallace, Johnston went on, had offered him twenty-five thousand

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5 "for an article about his interview with Stalin. 'I told Mr. Wallace it wasn't worth that much,' Johnston modestly added, 'but he said, 'It's worth that much to us!' Life evidently hadn't figured on the possibility of Johnston's writing two Russian articles. Having lost the very desirable Stalin piece to their competitors, the Life editors had to be satisfied with taking another article by Johnston about Russia; this turned out to be good Johnston but hardly twenty-five-grand Johnston. Wallace later confirmed his high opinion of Johnston the journalist by giving him a bonus of fifteen thousand dollars for Christmas. When it was announced, some time after the Johnston episode, that Heinrich Himmler had conferred with Count Folke Bernadotte about a possible surrender, an enterprising editor of Life quickly cabled one of the magazine's European representatives to get in touch with the Count and offer him a large sum for a story about the Himmler conferences. The Count cabled his answer to Life's New York office. He said he would like to write the piece for Life, but unfortunately he had already been signed up to do it for The Reader's Digest.

An additional indication of the Digest's

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6 "position as a competitor is contained in the following excerpt from a letter written by one of the Digest's Senior Editors to the editor of a popular magazine who had asked why the Digest was currently reprinting only a niggardly number of articles from his magazine:

Each month we send a questionnaire to 4,000 subscribers, seeking to learn what they like and don't like in the current issue. The final report for July, before me as I write, shows that the first fifteen articles in point of popularity were all originated in this office. The reader, of course, doesn't know what we place and what we find.

I hope you won't think us conceited ... Believe me when I say that our people would much rather find articles than create them. But they do have their likes and dislikes ...

Since, as the letter points out, Digest editors can no longer find in other magazines articles which they believe will be popular with their readers, the Digest has had to go into the business of manufacturing its own brand of articles. These are unique. Digest articles are as peculiar to the Digest as Saturday Evening Post articles are to the Post or Life articles to Life. This peculiarity, this uniqueness, is what Digest readers like.



"Digest articles are so clearly different from articles found in other magazines that Digest fans, as the Senior Editor remarks, can somehow sense them, even when they have been planted in some other periodical and later appear in the Digest blandly disguised as reprints. The millions do not buy the Digest to read an occasional article created, say, by the Saturday Evening Post and reprinted by the Digest. If they liked Post articles best, they would buy the Post. Whether they know it or not, the millions buy the Digest because they prefer articles created by the Digest. It may well be that The Reader's Digest today is just another magazine in the market place, in competition with other magazines which have so solicitously fostered its growth."

We have reason to believe that this position is true today.

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Page - 14, Quote: "Each edition pays its full pro-rata share of the cost of developing the central pool of articles, in the same proportion as the U.S. edition in relation to circulation."

Comment It is interesting to note that the more Reader's Digest (Canada) Ltd. gets charged by the parent company, the less corporation taxes on profits the Dominion and Provincial governments collect.

Page - 14, Quote: "Introduction of domestic material into the various editions was considered at the outset and discarded. It has been reviewed time and again and the decision has always remained the same: to leave to each country's domestic periodicals the field of domestic coverage, reserving for the Digest the opening of "windows on the world" and on the inner character and aspirations of man rather than on his activities as a national citizen."

Misrepresentation "Windows of the world"! The Digest holds itself out as a mirror of world opinion and literature. Over 50% of its material is initiated in Pleasantville, New York. It is still at pains to disguise this fact.

Page - 15, Quote: "In the non-English-language editions, the editors of The Reader's Digest have taken special care with and pride in, the quality of translation. This is notably true of the French Canadian edition, Selection du Reader's Digest. Tributes beyond anything the Digest might



care to claim for itself have come from a wide variety of eminent sources to the contributions thus made to linguistic cultures."

Misrepresentation This is contradicted on page 2 of The Reader's Digest submission. "The editor had available the translations from the Paris edition, adapted these translations to the Canadian scene, made cuts or changes to suit the text to his readers and wrote new captions or headlines for the articles. The procedure thus summarized continues to this day - and under the same editor." The quality of the translation is not notably true of the French Canadian edition. The French translation is largely made for the Paris edition and dumped here.

Page - 16, Quote: "A corollary to the foregoing is that Digest affiliates, wherever located, are required to stand or fall in fair competition with other media on the national scene."

Comment Is it fair competition to sell Selection du Reader's Digest advertising at \$1,435 per four color page and at \$425. if bought in combination with Reader's Digest. This point has been well brought out in the brief presented by Poirier, Bessette Co. It seems pertinent to add that there is no inducement other than convenience to buy Weekend Magazine and Perspectives combined. The individual rates are the same as the combined total.

Page - 18, Quote: "It was he who





established the policy which the Digest follows wherever it publishes: the policy of "good corporate citizenship."

Misrepresentation We hope that the rest of this submission will convince the Royal Commissioners that this is a misrepresentation.

Page - 19, Quote: "The Reader's Digest Association (Canada) Ltd. follows in this country the worldwide policy of the Digest: it does its best to operate as a good corporate citizen."

Misrepresentation The same comment as made re page 18 is applicable.

Pages 19-20, Quote: "Arrangements were made with Ronalds-Federated Ltd. to print the Digest in Montreal. The move was a welcome addition to Canada's wartime economy."

Misrepresentation It is difficult to understand, in a time of labor, material and man power shortage, how printing the Reader's Digest in Montreal was any help to Canada's war effort. We have already suggested that this was probably a matter of newsprint shortage.

COMMISSIONER JOHNSTON: Don't you mean paper shortage? They do not print on newsprint.

MR. BALLANTYNE: Yes, it is a paper shortage. We are just trying to indicate why they might have considered publishing here.

Page - 24, Quote: "Canadian company payments (to the central pool) made under this



arrangement in 1959 would have purchased roughly 450 articles at the highest regular rate paid by any other magazine published in Canada."

Comment This is a most interesting statement. If one takes the highest regular rate at a minimum of \$500. and a maximum of \$1,000., the payment to the central pool in the United States is between \$225,000 and \$500,000 per annum. Mr. Zimmerman stated in his testimony before the Royal Commission "it would be closer to 3 or 4% of the central pool. Taking a figure of 3½%, the cost of the central editorial pool at Pleasantville is between \$6,000,000 and \$13,000,000 per year. This is the competition. This is the value of the dumped editorial - the processed material.

Page - 24, Quote: "And this is roughly twice as many articles as any other Canadian-published magazine carries in a year."

Misrepresentation This is nonsense. Weekend Magazine publishes more than 750 features per year. The Star Weekly publishes still more and Macleans quantity is well over half of 450.

Page - 24, Quote: "This is a considerably larger full-time editorial staff (14) than many other Canadian magazines employ, despite the fact that the Digest's articles come from an international central pool."

Misrepresentation With the possible exception of Liberty, it is a considerably smaller



staff than that of any of the Canadian magazines that Reader's Digest competes with for advertising.

Page - 25, Quote: "in the case of Selection du Reader's Digest, they direct and perfect translations."

Misrepresentation We have already shown by The Reader's Digest's own statement that these are Paris translations. Whether it is necessary for the Montreal editor to perfect these translations we do not know.

Page - 27, Quote: "Now, as to cost to the reader, the Canadian who reads the Digest pays more than twice as much for each copy as he would pay for any other major Canadian-published periodical."

Misrepresentation The usual yardsticks are the subscription price per annum or the price per copy on the news-stand. An examination of Reader's Digest Appendix II-5 will show that the statement is not true either for price per annum or price per copy on the news-stand. The subscription price of \$7.50 for the Star Weekly (Reader's Digest \$4.00) is omitted on this schedule.

Page - 30, Quote: "In addition, the Digest picks up articles which have appeared in Canadian magazines."

Misrepresentation Almost all these articles are not picked up - they are planted.

Page - 34, Quote: "The Digest was the first magazine in Canada to publish in both of the





country's two languages, and until this year it was the only magazine to do so."

Error of Fact This is absurd. The Digest was neither the first magazine nor the only magazine to do so. Appendix H attached shows a list of 30 publications, including magazines, that published in both languages. The first was in 1764, some time prior to the Reader's Digest. And this is only a partial listing.

Page - 39, Quote: "It does include the week-end periodicals (Weekend Magazine and Perspectives, Star Weekly Magazine, Le Petit Journal, etc.)"

Comment It would appear from the various appendices that these periodicals are included or excluded, according to the point the Digest wishes to make. This is so obvious that there is no need to elaborate. I have just given an instance where the Star Weekly was left out.

Page - 43, Quote: "The periodicals of Canada stand or fall on their ability to attract and retain readers (The advertising revenue attraction on established media depends greatly on this "proven audience")."

Comment The base for any audience is circulation. The Digest has omitted circulation figures from the appendices (Pages 36-53), showing advertising page rates, and percentage increases. These figures are meaningless unless related to circulation.

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Page - 44, Quote: "Moreover, in the last decade powerful and significant competition for Canadian reader-attention has developed much closer to the "traditional" magazines' own doorsteps: the week-end periodicals which are in fact magazines."

Misrepresentation Unquestionably, this competition is powerful and significant. However, per The Reader's Digest's own table on Page 49A, the share of total advertising of these week-end periodicals has dropped from 10.7% in 1948 to 9.8% in 1959. It should be added that the leadership within this group has changed drastically from the Star Weekly to Weekend Magazine/Perspectives and that the D.B.S. figures show a slight increase from 1948 to 1958 for this classification. The full picture is shown in Appendices B-1, B-2 and B-3.

Page - 46, Quote: "The reader's choice of the Digest is a voluntary one, made without pressure and in fact, in the fact of certain deterrents."

Misrepresentation In Appendix G-2 there is a photostat of a January, 1961 letter addressed to a subscriber of The Reader's Digest ... from it we quote:

"Simply throw away this letter and you will be entitled to a substantial discount on your renewed subscription. As a Regular Subscriber, all you need pay for the next twelve months of Reader's Digest is only \$3.40 (instead of \$4.00) -- A SPECIAL





REDUCTION IN PRICE OF 15%. And we shall not send you a bill until next month.

Send no money now."

The underlining is the Digest's. This subscription offer is reproduced in Appendix G-2. This subscriber of The Reader's Digest is being penalized, because a subscription offer sent to non-subscribers the same week offers the Reader's Digest for \$2.00 for 12 months. (Appendix G-1)

Pages 47-48, Quote: "Readers order their Digest subscriptions by mail and pay for them by mail. In effect, every subscriber must decide twice that he wants the Digest and is willing to pay the relatively high price for it: first, when he sends his order through the mail, and again, later, when he gets a bill and posts a cheque or money order."

Misrepresentation This is misleading - per our comment on page 46 - the subscriber need take no action for his subscription to be renewed nor, we submit, should a second decision be necessary in order for the subscriber to fulfil his commitment.

Pages 52-53, Quote: "Major Week-ends during this 1952 to 1959 period showed the greatest revenue increase of 104.8%, followed by Newspapers with 74.6%, and Major Traditional Magazines with 54.7%. One week-end periodical, Weekend Magazine (which accounted for 35.6% of the Total Major Week-end revenue in 1952) now accounts for 55.5% of this revenue."

Misrepresentation The share of the total



advertising market of "major Week-ends" actually decreased slightly, from 4.68% in 1952 to 4.51% in 1958. These percentages have been worked out from Dominion Bureau of Statistics figures. No such figures are available for 1959 as yet. We are confident that any change from 1958 to 1959 is insignificant.

Page - 53, Quote: "Week-ends in every way claim to and do directly compete with traditional magazines for advertising revenue. They consider themselves to be and, in fact, are magazines."

Comment A Reader's Digest advertisement in the November 21st, 1960 issue of Advertising Age states "Reader's Digest gives you Canada's largest magazine circulation". This issue was in print when The Reader's Digest appeared before the Royal Commission on November 17th. Since Reader's Digest insists that the week-ends must be considered magazines, then the truth is that Weekend Magazine/Perspectives with a circulation of 1,882,000 has a larger magazine circulation than Reader's Digest and Selection du Reader's Digest with 1,015,000. (See Appendix K).

Pages 53-54, Quote: "Against the background of competition previously outlined, a comparison of advertising costs per unit (i.e. per page and per line) in the magazine industry could be made, but since unit size variations, edition publishing frequency and audience coverage factors would all have to be considered in establishing the true value



of any Unit, it has not been attempted in this review. However, the data page rate costs covering Traditional Magazines have been included under Appendix II-3-(d)."

Misrepresentation The two factual yardsticks universally accepted in the advertising trade are milline rate or cost per page per thousand. Moreover, circulation has been omitted from the "data page rate costs" in Appendix II-3-(d).

Page - 54, Quote: "Within the field of print media itself, the primary competition of the traditional magazines come from the comparatively new entry into this field, the week-end magazines, of which the magazine "Weekend" is the outstanding example."

Misrepresentation As will be seen in Appendix B-2 the Share of Markets for National Week-ends has increased from 4.07% to 4.51% from 1948 to 1958 whereas Time and Reader's Digest has increased from 1.04% to 1.99%.

Page - 54, Quote: "Even in the face of these competitive forces, the magazines published in Canada (traditional and week-end types) are in a healthy position in advertising revenue growth reflected by their 78% increase during the last eight years (1952 to 1959)."

Misrepresentation The true comparatively figure is share of market and the share of market of "magazines published in Canada (traditional and week-end types)" has declined slightly from 10.52%





in 1950 to 9.68% in 1958 (Appendix B-2).

Page - 55, Quote: "The Canadian magazine industry is stronger than the magazine industry in either the United States or Great Britain."

Misrepresentation The magazine industry in all three countries, Canada, the U.S. and Great Britain, has faced severe difficulties in recent years, particularly because of the competitive entry of television. But the Canadian magazine industry has been made still weaker by the competition of the foreign-owned "Canadian" editions, an added burden unknown to the U.S. industry.

Page - 55, Quote: "This study produces evidence of the good health of Canadian magazines."

Misrepresentation This statement is not substantiated.

Page - 55, Quote: "A phenomenally successful development in Canada has been the national weekend periodicals."

Misrepresentation The only really significant change has been within this group between the Star Weekly and The Standard, Weekend Magazine/Perspectives (Appendix B-3).



## ADVERTISING REVENUES IN CANADA

Page - 56, Quote: "Advert-

	ising Expen- ditures in	Weekend Magazines	% In- crease
1948	\$ 5,821,000		
1959	19,010,000	227%	
		"Traditional Magazines"	% In- crease
1948	\$ 6,543,000		
1959	16,923,000	162%	

Misrepresentation To repeat, the share of market of "Weekend Magazines" and "Traditional Magazines" combined has declined from 1948 to 1959.

Page - 58, Quote: "But - the rate of failure for magazines in Canada is lower than in Britain or in the United States."

Error of Fact The rate of failure is higher for magazines in Canada than in the United States (see Appendix J).

Page 58-60 These pages show with statistics and listings that there have been less magazine failures in Canada than in either Great Britain or in the United States.

Misrepresentation and Errors of Fact The listing of **the** 44 U.S. Magazines seems to be reasonably complete as it lists some very small publications. For Great Britain, only seven failures of the major magazines are listed. The following nine failures have been omitted:





<u>Magazine</u>	<u>Date of Last Issue</u>
Britannia and Eve	1956
Literary Opinion	1956
National English Revue	1960
Home Chat	1959
Scope	1959
The Sketch	1959
Film Pictorial	1960
Truth	1957
Woman's Pictorial	1956

Some of these magazines are fairly substantial, I might add. For Canada, the Digest shows on page 67 of their appendices 13 magazines that have failed since 1948. 18 additional magazines that have failed since 1948 are listed on Appendix J, many of these 32 magazines have failed since 1952. In addition the population and geographic factors have been ignored in this comparison between Canada, U.S. and Great Britain.

Pages 62-63, Quote: Three tables showing "Comparative Circulation Growth of Six Leading Magazines" for Canada, United States, and Great Britain.

Misrepresentation A most peculiar comparison.

In Appendices D-1, E-1 & F we reproduce the tables of the six magazine selected by the Reader's Digest. In these same Appendices we show similar tables for the ten magazines with the highest circulation 1952 for Canada, the United States and Great Britain - the difference between this factual comparison and



the selective statistics of the Reader's Digest is significant.

Pages 63-64 These tables are repeated for Canada and the United States, showing the advertising revenue of these six magazines in each country. On Appendices D-2 & E-2, we show the ten magazines with the highest advertising revenue (1952) in Canada and the United States. A very different picture indeed.

Page - 65, Quote: "But compared with magazines in Britain and the United States, Canadian magazines enjoy a favourable position."

Misrepresentation This may be true for Canada as compared to Great Britain but it is certainly not true, as we trust we have shown, for Canada as compared to the United States.

Page - 66, Quote: "In no country where the Digest publishes an edition or editions is it subjected to burdens or restrictions, direct or indirect, based on editorial content."

Error of Fact The Reader's Digest publishes an edition in Spain, "Spain censors domestic and imported periodicals alike, to prevent the circulation of reading matter contrary to the policies of the Franco regime or to the strict moral precepts of the Roman Catholic Church." Page 68 Reader's Digest submission.

Pages 67-68, Quote: "Eire levies duties of 2½ pence to 3 pence per copy on imported magazines."

Error of Fact Eire levies duty of 1½ pence



on general magazines originating in U.K., Canada and other Commonwealth countries, and two pence per copy on general magazines originating in other countries.

Page - 68, Quote: "Switzerland gives preferential postal rates to domestic periodicals, charging on the order of thrice their mail-rate to those shipped in."

Error of Fact The Canadian Embassy in Berne reports, "We are informed by the Swiss postal authorities that the statement made to the Press Commission is not correct."

Summary The last 4 pages of the Reader's Digest submission have been ruled as out of order by the Chairman of the Royal Commission. Of the remaining 68 pages there are errors of fact and/or misrepresentations on 35 pages.

MR. BALLANTYNE: I would like to continue with the appendices because there seems to have been some questions here as well.

REBUTTAL OF APPENDICES to SUBMISSION of  
The Reader's Digest Association (Canada) Ltd.  
Selection du Reader's Digest (Canada) Ltee.

Page - 2, Quote: "In 1959 the Reader's Digest picked up the following 17 articles from Canadian Magazines."

Misrepresentation We are reasonably certain that only the articles in Maclean's and Chatelaine were genuine reprints and that all the others were planted. In this connection, it is significant that





Saturday Night now has a policy of no longer accepting jointly originated pieces with the Reader's Digest.

Page - 3, Quote: "In 1960, the Digest picked up these 13 articles from Canadian magazines."

Misrepresentation It is our belief that there was only one genuine reprint - this from Chatelaine.

Page - 4, Quote: "The editors say they are thus able to buy - at their own rates - stories their own facilities could otherwise hardly command."

Error of fact Some articles are planted at no cost to the recipient magazine.

Page - 5, Quote: "The process reflects the Digest's interest in helping to maintain a healthy magazine industry."

Misrepresentation In a subscription offer received January 5, 1961, in Montreal, the Reader's Digest tell you ... "How you can read just one magazine and keep abreast of all the leading magazines and books". The underlining is the Digest's. (Appendix G-1).

Page - 9, Quote: "The Digest staff has multiplied 14-fold in 12-13 years, from 30 to more than 430 today."

Misrepresentation This statement ignores the existence of the book division and the newly formed record division, and intimates that the whole staff is devoted to producing the magazines.



Pages 13-16 On these pages the Reader's Digest lists the technical assistance that they have given to their paper suppliers.

Comment The Reader's Digest emphasizes having co-operated with their suppliers to improve quality. This is a normal business relationship between any company and its suppliers.

Page - 17, Quote: "it is our aim ... to be a good corporate citizen of Westmount...."

Comment Our other comments would indicate that the Digest has fallen short of their objective.

Pages 21 to 23 These are tables showing all major publications, Radio, and TV for the periods 1948-59, 1952-9, and 1956-9 and giving average circulation per issue, gross national advertising revenue, number of advertising pages, and percentage share of revenue.

Misrepresentation Weekend Magazine/Perspectives circulation and revenue figures are used with no reference to Perspectives on all these three pages. In addition, on pages 22 and 23, Weekend Magazine and Perspectives advertising pages are added together with no reference to Perspectives. Moreover, it is false to add the pages of Weekend Magazine and Perspectives and then use this figure to show percentage increases. Most of the lineage in Weekend Magazine and Perspectives is duplicated.

Pages 24-26 These are tables showing all "major traditional magazines" for the period 1948-59,





1952-59 and 1956-59 and giving average circulation per issue, gross advertising revenue and number of advertising pages.

Misrepresentation No indication of Chatelaine's absorption of Canadian Home Journal between '56 and '59, accounting for much of that book's growth.

Pages 27-29 These are tables showing all "major week-end magazines" for the periods 1948-59, 1952-59 and 1956-59 and giving average circulation per issue, gross advertising revenue and number of advertising pages.

Error of Fact The Standard is listed as "not published". It is published and distributed as it has been for over 50 years.

Misrepresentation The figures for Weekend are for both Weekend and Perspectives for 1959.

Page 31 This page shows "Average Annual Circulation per Issue, 1947-1959 - Individual Major English and French Week-end Magazines".

Misrepresentation Weekend Magazine/Perspectives figures are used without acknowledging the existence of Perspectives. In addition, there is no indication of the existence of The Standard.

Page 32 This is a table giving "Gross Advertising Revenues, 1947-1959 - Individual Major English and French Magazines reporting through Magazine Advertising Bureau".

Misrepresentation and Error of Fact



Advertising revenue in Selection du Reader's Digest is included under heading "Reader's Digest". No advertising revenue is shown in 1947 although Selection du Reader's Digest existed from July 1947 and there is no indication that revenue from Reader's Digest in 1948 is for 11 months only.

Page 33 This shows "Gross Advertising Revenue, 1945-1959 Individual Major English and French Week-End Magazines (Reporting through Elliott-Haynes)".

Misrepresentation Weekend Magazine's advertising revenue in 1951 was for 17 weeks (first issue published September 8, 1951). This figure for 17 weeks is used as a base to show a percentage increase for the full year 1959 over 1951 of 792%.

MR. BALLANTYNE: We wish this figure was correct.

Comment After ignoring Perspectives in all other tables, it is mentioned for the first time on this page.

Page 34 This table shows the "Number of Advertising Pages, 1947-1959, Individual Major English and French Magazines reporting through Magazine Advertising Bureau".

Misrepresentation Under the heading "Reader's Digest" are shown the pages for the combined edition of Reader's Digest and Selection du Reader's Digest, plus the individual pages in Reader's Digest and the individual pages for Selection du Reader's



Digest.

Error of Fact No figure is shown for Saturday Night for 1948, yet a total figure is shown and this total is used as base to show a percentage increase.

Page 35 This table gives the "Number of Advertising Pages, 1952-1959, Individual Major English and French Week-End Magazines".

Error of Fact As Star Weekly revised their format and page size November 3, 1956, the pages of advertising shown for the period 1952 to 1956 are incorrect.

Misrepresentation Star Weekly lineage and advertising pages, 1952-1959, as quoted from "Printers' Ink" omits Magazine Section prior to November 3, 1956.

Pages 37-53 inclusive Here the Page Rate Increases for Individual Magazines are shown.

Misrepresentation To show percentage increases without relating these percentage increases to circulation is misrepresentation. On Appendices C-1 to C-18 we show these increases in relation to circulation.

Page 59 This gives "Subscription Price and Single-copy price of Major Canadian Periodicals".

Error of Fact Weekend Magazine is only distributed through newspapers and The Standard. It is not sold individually. No subscription rate is shown for the Star Weekly.

Page - 60, Quote: "On its Board of





Directors (The Periodical Press Association) are:

Two representatives from Maclean-Hunter Publishing Co. Ltd."

Error of Fact There were three representatives from Maclean-Hunter elected in September 1960. The name of the third one is J.L. Craig, Director of Maclean-Hunter, Business Papers Division.

Page - 61, Quote:

"	<u>Total</u>	<u>Member P.P.A.</u>
Consumer Periodicals (of general or regional interest)	134	12
Business Periodicals	406	142
	(430)	(144)
Farm Periodicals	27	4
	(54)	
Weekend Periodicals	8	Nil "

The correct figures are in brackets.

Page - 62, Quote: "Total U.S. overflow circulation of farm, business-paper and non-ABC periodicals cannot be estimated, for no reliable Canadian circulation figures are available - nor are there any for non-ABC Canadian Magazines."

Misrepresentation These figures are provided in Appendix-D of The Montreal Standard Publishing Company's initial submission filed on November 24th, 1960.

Page - 64, Quote: "Note: Farm, Business and non-ABC publications could not be included because no reliable overflow figures are available."

Misrepresentation Again, these figures are in Appendix-D of The Montreal Standard Publishing



Company's submission filed on November 24th, 1960.

Page - 67, Quote: "Canadian Magazines - 1948 (No longer published in 1959)"

Error of Fact This Reader's Digest list of 13 magazines is incomplete. Eighteen others are shown in Appendix J.

Summary On 47 pages out of the 75 pages comprising the Appendices of the Reader's Digest submission there were errors of fact and/or misrepresentations.

CONCLUSION The submissions which oppose any action by our government claim that 1) the Canadian periodicals are really not suffering at all but are robust and healthy; and 2) that the Canadian periodicals are suffering but this is from any and all competition other than that from "Canadian" editions of U.S. magazines.

It can hardly be both ways.

We contend that Canadian periodicals are suffering and that it is the unfair competition from the dumping of processed editorial copy of top of normal, fair competition that is threatening their survival. It is because of this that we have suggested, in our recommendations, a formula which would provide an effective tax on such processed material.

The ineffectiveness of action taken by previous governments designed to help Canadian periodicals has been cited before this Commission on several occasions. We believe that the measures



taken by the Bennett government bear little relation to present conditions. These were measures tried prior to the split-run and the "Canadian" editions. Economic conditions have changed. A five-cent cover price increase of thirty years ago would not have the same impact today.

The tax on advertising revenue inaugurated in 1957 we believe was ill-conceived. But the application of a wrong remedy does not prove that the patient was healthy all along. And if this attempted remedy was ineffective we suggest that it may have been too small a dose as well as being ill-conceived.

We do not believe that it is important whether or not a "Canadian" edition of a foreign-owned magazine has a Canadian flavor, whatever the degree. We do not believe it important whether or not competition, if normal and fair, is tough competition for Canadian periodicals within the boundaries of their own country. But the important, central fact is that non-Canadian magazines can take advantage of a dumped product and put an unfair burden on genuine Canadian magazines.

INTRODUCTION TO APPENDICES Circulations, advertising revenues and advertising rates contained in the following statistical pages are, unless otherwise noted, those shown in the Reader's Digest submission which were drawn from recognized sources. Those used in these appendices were found to be accurate but for a few insignificant errors.





MR. BALLANTYNE: We also have our recommendations, Mr. Chairman. We filed that earlier, at the end of December.

THE CHAIRMAN: I believe your voice is a little tired, is it not?

MR. BALLANTYNE: I am rather enjoying it. I did not mean to be frivolous. I just meant which ever you prefer; I would read the recommendations or not, or read them later.

THE CHAIRMAN: I would suggest that you read them now.





■ NEWS BUREAUS 35

Anchorage	Miami	London	Tokyo
Atlanta	New York	Paris	Mexico City
Boston	Seattle	Bonn	Rio de Janeiro
Chicago	San Francisco	Rome	Buenos Aires
Dallas	Washington, D. C.	Moscow	Athens
Denver	Calgary	Beirut	Havana
Detroit	Montreal	Johannesburg	Panama City
Honolulu	Ottawa	Hong Kong	Lima

APPENDIX A

● STRINGERS 274

Part-time correspondents, working with News Bureaus or directly with the New York office.

▲ RADIO-TV

Denver	Grand Rapids	Indianapolis	Minneapolis
KLZ	WOOD	WFSB AM & FM	WTCH
KLZ-TV	WOOD-TV	WTBH-TV	WTCH-TV

○ RESEARCH

■ PRINTING 13

Chicago	Los Angeles	Detroit	Paris
Philadelphia	Albany	Jersey City	Havana
Buffalo	Washington, D. C.	Long Island City	Tokyo

● ADVERTISING OFFICES 28

Atlanta	Miami	San Francisco	Paris
Boston	Minneapolis-St. Paul	Toronto	Milan
Chicago	New York	Montreal	Düsseldorf
Cleveland	Philadelphia	Mexico City	Zurich
Detroit	Pittsburgh	Buenos Aires	Stockholm



Explanatory Note to Appendices B-1, B-2 and B-3

Dominion Bureau of Statistics figures have been used on Appendix B-1 to show advertising revenue for all media classifications. Previous to 1949, National Weekends were included with Daily Newspapers or Newspapers, Weekly, Semi-Weekly and Tri-Weekly. In order to obtain the 1948 figure for National Weekends the same relationship (percentage) as was reported by D.B.S. in 1949 has been applied. This, of course, changes the 1948 D.B.S. figures for Daily Newspapers and Weekly, Bi-Weekly, Tri-Weekly Newspapers.

The figures for The Standard/Weekend Magazine, Star Weekly, the "Canadian" Editions of Reader's Digest and Time are from the Magazine Advertising Bureau and Elliott-Haynes. From these figures advertising agency commission has been deducted to give estimated net advertising revenue.

On Appendix B-3 the share of the total market and the various segments of the print market has been calculated for National Weekends, The Star Weekly and The Standard/Weekend Magazine.

All classifications have been cross referenced by numbers from Appendix B-1 to Appendices B-2 and B-3.





TABULATION OF ADVERTISING REVENUE BY MEDIA CLASSIFICATION  
1948 - 1950 - 1958

-102-

	<u>1948</u>	<u>1950</u>	<u>1958</u>
<u>Media</u>			
Television	-	-	\$ 48,000,000
Radio	\$ 12,200,000	\$ 15,400,000	24,000,000
Other Visual	3,300,000	5,400,000	11,000,000
All Print	<u>100,000,000</u>	<u>127,500,000</u>	<u>261,000,000</u>
<u>Total Advertising</u>	<u>115,500,000</u>	<u>148,300,000</u>	<u>344,000,000</u>
All Print	100,000,000	127,500,000	261,000,000
Less Daily Newspapers	<u>59,300,000</u>	<u>76,900,000</u>	<u>153,000,000</u>
<u>All Other Print</u>	<u>40,700,000</u>	<u>50,600,000</u>	<u>108,000,000</u>
All Other Print	40,700,000	50,600,000	108,000,000
Less: Other Newspapers, Directories & Religious etc.	<u>15,300,000</u>	<u>20,000,000</u>	<u>45,000,000</u>
<u>Magazines</u>	<u>25,400,000</u>	<u>30,600,000</u>	<u>63,000,000</u>
Magazines	25,400,000	30,600,000	63,000,000
Less: Business & Agricultural	<u>13,300,000</u>	<u>15,000,000</u>	<u>29,700,000</u>
<u>General Magazines</u>	<u>12,100,000</u>	<u>15,600,000</u>	<u>33,300,000</u>
National Weekends	4,700,000	6,500,000	15,500,000
Other Magazines	<u>7,400,000</u>	<u>9,100,000</u>	<u>17,800,000</u>
<u>General Magazines</u>	<u>\$ 12,100,000</u>	<u>\$ 15,600,000</u>	<u>\$ 33,300,000</u>
The Standard/Weekend Magazine	\$ 900,000	\$ 1,250,000	\$ 7,300,000
Star Weekly	2,770,000	3,460,000	3,910,000
Other National Weekends	<u>1,030,000</u>	<u>1,790,000</u>	<u>4,290,000</u>
National Weekends -- Total	<u>\$ 4,700,000</u>	<u>\$ 6,500,000</u>	<u>\$ 15,500,000</u>
<u>Canadian Editions of:</u>			
Reader's Digest (Combined)	\$ 570,000	\$ 1,300,000	\$ 3,820,000
Time	630,000	980,000	3,020,000
Balance of Other Magazines	<u>6,200,000</u>	<u>6,820,000</u>	<u>10,960,000</u>
Other Magazines - Total	<u>7,400,000</u>	<u>9,100,000</u>	<u>17,800,000</u>
<u>General Magazines - Total</u>	<u>\$ 12,100,000</u>	<u>\$ 15,600,000</u>	<u>\$ 33,300,000</u>



Percentage Share of Advertising Revenue  
by Media Classification - 1948 - 1950 - 1958

Media	Percentage Share of Market		
	<u>1948</u>	<u>1950</u>	<u>1958</u>
1. Television	-	-	13.95%
2. Radio	10.56%	10.38%	6.98
3. Other Visual	2.86	3.64	3.20
4. All Print	<u>86.58</u>	<u>85.98</u>	<u>75.87</u>
5. Total Advertising	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Percentage Share of Advertising Market  
- All Print Media

4. <u>All Print</u>			
6. Daily Newspapers	51.34%	51.85%	44.48%
8. Other Newspapers, Directories and Religious, etc.	13.25	13.49	13.08
10. Business and Agricultural	11.51	10.12	8.63
11. General Magazines	<u>10.48</u>	<u>10.52</u>	<u>9.68</u>
4. <u>All Print - Total</u>	<u>86.58%</u>	<u>85.98%</u>	<u>75.87%</u>

Percentage Share of Advertising Market  
- General Magazines

11. <u>General Magazines</u>			
14. The Standard/Weekend Magazine	.78%	.84%	2.12%
15. Star Weekly	2.40	2.33	1.14
16. Other National Weekends	<u>.89</u>	<u>1.21</u>	<u>1.25</u>
12. <u>National Weekends - Total</u>	<u>4.07%</u>	<u>4.38%</u>	<u>4.51%</u>
17. Reader's Digest (Combined)	.49%	.88%	1.11%
18. Time	.55	.66	.88
19. Balance of Other Magazines	<u>5.37</u>	<u>4.60</u>	<u>3.18</u>
13. <u>Other Magazines - Total</u>	<u>6.41%</u>	<u>6.14%</u>	<u>5.17%</u>
11. <u>General Magazines - Total</u>	<u>10.48%</u>	<u>10.52%</u>	<u>9.68%</u>



Percentage Share of Advertising Market of National  
Weekends 1948 - 1950 - 1958 -104-

		<u>1948</u>	<u>1950</u>	<u>1958</u>
National Weekend's Share of Total Advertising	(5)	4.07%	4.38%	4.51%
National Weekend's Share of All Print	(4)	4.70%	5.10%	5.94%
National Weekend's Share of All Print Less Daily Newspapers	(7)	11.55%	12.85%	14.35%
National Weekend's Share of All Magazines	(9)	18.50%	21.24%	24.60%
National Weekend's Share of General Magazines	(11)	38.84%	41.67%	46.55%

Percentage Share of Advertising Market of The  
Star Weekly 1948 - 1950 - 1958

		<u>1948</u>	<u>1950</u>	<u>1958</u>
Star Weekly's Share of Total Advertising	(5)	2.40%	2.33%	1.14%
Star Weekly's Share of All Print	(4)	2.77%	2.71%	1.50%
Star Weekly's Share of All Print less Daily Newspapers	(7)	6.81%	6.84%	3.62%
Star Weekly's Share of All Magazines	(9)	10.91%	11.31%	6.21%
Star Weekly's Share of General Magazines	(11)	22.89%	22.18%	11.74%

Percentage Share of Advertising Market of The  
Standard/Weekend Magazine 1948 - 1950 - 1958

		<u>1948</u>	<u>1950</u>	<u>1958</u>
The Standard/Weekend Magazine's Share of Total Advertising	(5)	.78%	.84%	2.12%
The Standard/Weekend Magazine's Share of All Print	(4)	.90%	.98%	2.80%
The Standard/Weekend Magazine's Share of All Print less Daily Newspapers	(7)	2.21%	2.47%	6.76%
The Standard/Weekend Magazine's Share of All Magazines	(9)	3.54%	4.08%	11.59%
The Standard/Weekend Magazine's Share of General Magazines	(11)	7.44%	8.01%	21.92%





Explanatory Note Appendices C-1 to  
C-18 inclusive

The advertising rates used on the appendices for color and black and white pages, and the percentage increases of these rates, have been reproduced from the Reader's Digest appendices (pages 37-53).

Because these figures by themselves are meaningless and misleading, the milline rates and cost per page per thousand for all publications have been added.

The circulation, milline rates, and cost per page per thousand, and the percentage increases for the years compared have also been shown together with the corresponding percentage increases.



-106-

READER'S DIGEST

<u>Effective</u>	<u>Combined Editions</u>	
	<u>1P4C</u>	<u>1PBW</u>
1961	\$5,580	\$4,305
1960	5,075	3,915
8	4,415	3,405
1958	4,600	3,545
957	4,320	3,330
956	3,795	2,925
1954	3,615	2,785
1953	3,320	2,555
1952	2,985	2,295
1951	2,595	1,975
1950	2,445	1,865
1949	2,445	1,865
1948	3,300	2,200

	<u>Percentage Increase</u>			
	<u>Milline Rate /</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>		<u>1PBW</u>	
51	69.1%	95.7%	-3.5%	11.7%
59	33.8	54.8	-15.3%	-2.0%
59	48.0	45.0	18.8%	19.1%
59	16.3	16.4	10.6%	10.7%

<u>Circulation</u>	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
627,920	\$ 28.88	\$19.25	\$5.26	\$3.50
796,531	20.59	15.83	3.75	2.88
943,279	22.11	17.04	4.02	3.10
991,930	24.46	18.86	4.45	3.43
1,100,000	27.87	21.50	5.07	3.91



MACLEAN'S

<u>Card Effective</u>	<u>1P4C</u>	<u>1PBW</u>
uned English and New		
i Edition) February, 1961	\$6,040	\$4,265
y, 1959	4,900	3,460
1958	5,215	3,680
er, 1957	5,215	3,680
1957	4,760	3,350
1956	4,325	3,045
1955	4,120	2,900
1953	4,000	2,820
1952	3,690	2,600
1950	3,400	2,380
1949	2,950	2,080
1948	2,700	1,880
1947	2,400	1,700

<u>Issue</u>	<u>Percentage Increase</u>			
	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>		<u>1PBW</u>	
1961	123.7%	126.9%	18.6%	20.3%
1959	81.5	84.0	15.4	17.1
1959	32.7	33.1	9.8	10.1
1959	13.3	13.6	13.8	14.1

unknown

<u>Circulation</u>	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
326,011	\$12.18	\$8.48	\$8.28	\$ 5.77
423,993	12.80	9.02	8.70	6.13
514,567	12.36	8.70	8.41	5.92
512,385	14.06	9.93	9.56	6.75
615,000	14.44	10.20	9.82	6.93





LIBERTY

<u>ard Effective</u>	<u>1P4C</u>	<u>1PBW</u>
y, 1961	\$4,960	\$3,155
1960	4,745	3,020
ry, 1959	4,790	3,045
ry, 1958	4,355	2,770
ry, 1957	4,070	2,590
y, 1956	3,885	2,470
1955	3,530	2,245
1953	3,025	1,925
er, 1951	2,750	1,750
951	2,750	1,600
y, 1950	2,400	1,600
* 1949	2,400	1,600
y) 1947	1,600	950

	<u>Percentage Increase</u>			
	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>		<u>1PBW</u>	
1961	210.0%	232.1%	66.6%	78.5%
1959	199.4%	220.5	64.7	76.4
1959	74.0	74.0	22.4	22.3
1959	23.3	23.3	7.1	7.2

unknown

<u>Circulation</u>	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
322,305	\$11.57	\$6.87	\$4.96	\$2.95
411,778	15.57	9.91	6.68	4.25
509,122	17.79	11.31	7.63	4.85
585,788	19.06	12.12	8.18	5.20
600,000	19.27	12.26	8.27	5.26



-109-

CHATELAIN

<u>Effective</u>	<u>1P4C</u>	<u>1PBW</u>
Chatelaine and La		
derne) October, 1960	\$ 7,860	\$5,720
	6,330	4,580
r, 1958	5,835	4,220
, 1958	4,210	3,045
956	3,725	2,695
1955	3,565	2,580
953	3,565	2,580
952	3,350	2,430
950	3,100	2,230
949	2,700	1,940
948	2,475	1,760
947	2,200	1,600

	<u>Percentage Increase</u>			
	<u>Milline Rate / Cost per Thousand</u>			
	<u>1P4C</u>	<u>1PBW</u>		
960	217.6%	225.0%	8.5%	11.1%
959	155.8	160.2	1.7	3.5
959	89.0	88.5	-4.5	-4.8
959	69.9	69.9	-4.2	-4.3

known

<u>Circulation</u>	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
299,046	\$12.17	\$ 8.65	\$8.28	\$5.89
380,148	12.96	9.40	8.81	6.39
423,843	12.92	9.35	8.79	6.36
752,157	12.38	8.95	8.42	6.09
875,000	13.21	9.61	8.98	6.54



CANADIAN HOME JOURNAL

<u>Card Effective</u>	<u>1P4C</u>	<u>1PBW</u>
h, 1958	\$4,450	\$3,215
ary, 1957	4,250	3,065
ary, 1956	3,550	2,550
ary, 1954	3,550	2,550
ary, 1953	3,550	2,550
ary, 1952	3,350	2,430
ary, 1951	3,000	2,155
ary, 1950	3,000	2,155
ary, 1949	2,700	1,940
ary, 1948	2,475	1,760
ary, 1947	2,200	1,600

crease

	<u>Percentage Increase</u>			
	<u>Milline Rate /</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>		<u>1PBW</u>	
- 1958	79.8%	82.7%	5.2%	6.8%
- 1958	32.8	32.3	-4.0	-4.3
- 1958	25.4	26.1	4.5	5.1

<u>Circulation</u>	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
305,323	\$11.92	\$ 8.48	\$ 8.11	\$ 5.76
377,431	13.05	9.47	8.88	6.44
434,884	12.00	8.62	8.16	5.86
521,854	12.54	9.06	8.52	6.16





CANADIAN HOMES (& GARDENS)

<u>Card Effective</u>	<u>1P4C</u>	<u>1PBW</u>
ary, 1961	\$2,715	\$1,970
ary, 1960	2,090	1,515
ary, 1955	1,670	1,210
ary, 1954	1,450	1,050
t, 1953	1,120	840
ary, 1952	1,120	840
ary, 1949	800	600
* 1948	600	450
* 1947	475	315

<u>crease</u>	<u>Percentage Increase</u>			
	<u>Millline Rate / Cost per Thousand</u>			
	<u>1P4C</u>	<u>1PBW</u>		
- 1961	352.5%	337.8%	17.6%	13.8%
- 1959	178.3	168.9	-24.8	-27.4
- 1959	49.1	44.0	-10.1	-13.2
- 1959	-	-	1.0	.9

h unknown

<u>Circulation</u>	<u>Millline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
34,690	\$ 25.44	\$19.08	\$17.30	\$12.97
77,427	21.27	15.95	14.47	10.85
129,642	18.94	13.73	12.88	9.33
128,435	19.12	13.85	13.00	9.42
133,391	29.93	21.72	20.35	14.77



SATURDAY NIGHT

<u>Card Effective</u>	<u>1P4C</u>	<u>1PBW</u>
ary, 1961	\$1,170	\$ 780
ary, 1959	935	650
mber, 1955	788	546
mber, 1948	510	308

crease

		<u>Percentage Increase</u>	
		<u>Milline Rate</u>	<u>Cost per Thousand</u>
		<u>1P4C</u>	<u>1PBW</u>
- 1961	129.4%	153.2%	32.3%
- 1959	83.3	111.0	5.2
- 1959	83.3	111.0	51.4
- 1959	18.7	19.0	22.4
			46.0%
			21.0
			74.3
			22.8

<u>Circulation</u>	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
43,234	\$28.08	\$16.96	\$11.80	\$7.12
62,241	19.51	11.78	8.19	4.95
77,743	24.13	16.72	10.14	7.02
75,379	29.53	20.53	12.40	8.62
75,000	37.14	24.76	15.60	10.40



MAYFAIR\*

<u>Card Effective</u>	<u>1P4C</u>	<u>1PBW</u>
y, 1959	\$540	\$390
, 1955	540	390
, 1949	425	300
, 1948	350	250
er, 1947	350	250

<u>Issue</u>	<u>Percentage Increase</u>			
	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>		<u>1PBW</u>	
1959	54.3%	56.0%	188.9%	192.1%
1959	27.0	30.0	156.3%	162.2%
1959	-	-	136.3%	136.3%

isher's announcement stated - "to become  
national Mayfair with first issue  
ember, 1960".

<u>Circulation</u>	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
15,533	\$33.14	\$23.67	\$22.53	\$16.09
16,728	37.36	26.37	25.41	17.93
19,599	40.52	29.26	27.55	19.90
8,294	95.75	69.15	65.11	47.02





-114-

TIME  
(Canadian Edition)

<u>Card Effective</u>	<u>1P4C</u>	<u>1PBW</u>
ary, 1961	\$ 3,030	\$ 2,020
ary, 1960	2,665	1,775
ber, 1958	2,365	1,575
ary, 1958	2,450	1,635
ary, 1957	2,190	1,460
1956	1,895	1,265
1, 1955	1,735	1,155
ary, 1954	1,615	1,075
ary, 1953	1,500	1,000
ary, 1952	1,350	900
r, 1951	1,200	800
ember, 1950	1,080	720
ember, 1949	990	660
* 1948	990	660
* 1947	900	600

<u>Increase</u>	<u>Percentage Increase</u>			
	<u>Milline Rate</u>		<u>Cost per Thousa</u>	
	<u>1P4C</u>		<u>1PBW</u>	
- 1961	206.1%	206.1%	64.4%	64.5%
- 1959	138.9	138.6	32.1	32.1
- 1959	75.2	75.0	21.9	21.8
- 1959	24.8	24.5	4.9	4.7

with unknown

<u>Circulation</u>	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
115,507	\$20.41	\$13.60	\$8.57	\$5.71
145,329	22.12	14.74	9.29	6.19
175,503	25.71	17.16	10.80	7.21
208,843	26.96	17.96	11.32	7.54
215,000	33.55	22.37	14.09	9.40



LA REVUE POPULAIRE

<u>Card Effective</u>	<u>1P4C</u>	<u>1PBW</u>
1960	\$1,450	\$ 1,085
1959	1,250	980
y, 1957	1,060	805
y, 1954	950	700
y, 1951	725	560
y, 1949	675	490
y, 1948	575	420
y, 1947	575	420

<u>crease</u>	<u>Percentage Increase</u>			
	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>		<u>1PBW</u>	
1961	152.2%	158.3%	76.5%	80.6%
1959	117.4	133.3	60.4	72.1
1959	72.4	75.0	45.6	47.8
1959	31.6	40.0	6.2	13.0

<u>Circulation</u>	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
76,964	\$10.67	\$7.80	\$7.47	\$ 5.46
88,035	11.76	9.08	8.24	6.36
84,191	16.12	11.88	11.28	8.31
104,334	17.12	13.42	11.98	9.39
110,000	18.83	14.09	13.18	9.86



LA REVUE MODERNE

<u>and Effective</u>	<u>1P4C</u>	<u>1PBW</u>
, 1960 *	\$1,440	\$1,050
, 1959	1,420	1,040
er, 1957	1,351	990
er, 1954	1,175	860
er, 1951	900	630
er, 1949	900	630
er, 1948	610	500
, 1947	610	500

<u>ase</u>	<u>Percentage Increase</u>			
	<u>Milline Rate</u>		<u>Cost per Thousa</u>	
	<u>1P4C</u>		<u>1PBW</u>	
1961	136.1%	110.0%	94.9%	73.5%
1959	132.8	108.0	134.2	109.4
1959	57.8	65.0	56.8	64.0
1959	20.9	20.9	16.5	16.6

dition of Chatelaine - La Revue Moderne

<u>Circulation</u>	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
103,207	\$8.69	\$7.12	\$5.91	\$4.84
101,971	12.98	9.09	8.83	6.18
98,920	17.47	12.79	11.88	8.69
102,604	20.35	14.91	13.84	10.14
125,000	16.94	12.35	11.52	8.40





<u>Card Effective</u>	<u>LE SAMEDI</u>	
	<u>1P4C</u>	<u>1PBW</u>
1960	\$940	\$700
,1959	940	700
ry,1957	940	700
ry,1954	850	595
ry,1951	725	560
ry,1949	675	490
ry,1948	575	420

<u>crease</u>	<u>Percentage Increase</u>			
	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>		<u>1PBW</u>	
- 1961	63.5%	66.7%	66.5%	69.8%
- 1959	63.5	66.7	66.7	69.9
- 1959	29.7	25.0	27.7	23.2
- 1959	10.6	17.6	6.2	13.0

<u>Circulation</u>	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
81,943	\$10.02	\$7.32	\$7.02	\$5.13
79,209	13.08	10.10	9.15	7.07
77,170	15.73	11.01	11.01	7.71
80,392	16.70	12.44	11.69	8.71
80,480	16.69	12.43	11.68	8.70



118-

STAR WEEKLY - PICTURE SECTION

<u>Card Effective</u>	<u>1P4C</u>	<u>1PBW</u>
ry, 1961	\$4,850	\$4,250
ry, 1960	4,850	4,250
nber, 1958	4,400	3,800
1957	4,400	3,800
ber, 1956	4,400	3,800
1954	4,400	3,800
ry, 1952	4,000	3,400
1950	3,600	3,000
ry, 1950	3,300	2,700
1949	3,300	2,700
1948	3,300	2,700
1947	3,000	2,400

<u>rease</u>	<u>Percentage Increase(1)</u>			
	<u>Millline Rate</u>		<u>Cost per Thousa</u>	
	<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
- 1961	47.0%	57.4%	50.6%	61.3%
- 1959	33.3	40.7	37.7	45.1
- 1959	10.0	11.8	11.8	13.4
- 1959	-	-	-	- .2
				-8.1
				-8.0

h unknown

<u>Circulation</u>	<u>Millline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
903,387	3.85	3.15	3.65	2.99
889,099	4.74	4.03	4.50	3.82
873,695	5.30	4.58	5.04	4.35
949,363	5.30	4.57	4.63	4.00
955,383	5.80	5.08	5.08	4.45

age size changed from 950 lines to 875 lines  
 ffective with November 3, 1956 issue. Thus  
 here is a difference between the percent  
 ncrease of the millline rate and the cost  
 er thousand.



STAR WEEKLY - MAGAZINE SECTION

-119-

<u>Rate Card Effective</u>	<u>1P4C</u>	<u>1PBW</u>	
January, 1961	\$4,850	\$4,250	
January, 1960	4,600	3,750	
September, 1958	4,200	3,450	
July, 1957	3,900	3,100	
September, 1956	3,900	3,100	
July, 1954	4,500	4,200	
January, 1952	4,500	4,200	
June, 1950	4,000	3,700	
January, 1950	3,600	3,300	
* 1949	3,600	3,300	) These rates were <u>not</u> shown in Reader's Digest submission
* 1948	3,600	3,300	
* 1947	3,600	3,300	

<u>Increase</u>	<u>Percentage Increase</u>			
	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
1960 - 1961	34.7%	28.8%	176.2%	163.2%
1960 - 1959	16.7	4.5	141.0	115.0
1962 - 1959	- 6.7	-17.8	92.4	69.4
1966 - 1959	7.7	11.3	118.1	125.6

with unknown

<u>Circulation</u>	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
1960	890,191	\$2.10	\$1.93	\$4.04
1962	889,099	2.63	2.45	\$3.71
1966	873,695	2.32	1.84	5.06
1969	949,363	5.06	4.15	4.72
1971	955,383	5.80	5.08	4.45

e: Page size changed from 1,925 lines to 875 lines effective with November 3, 1956 issue. This then is a difference between the percent increase of the milline rate and the cost per thousand.





WEEKEND MAGAZINE/PERSPECTIVES

-120-

<u>ate Card Effective</u>	<u>1P4C</u>	<u>1PBW</u>
Comb.) January, 1961	\$10,850	\$ 8,550
" September, 1960	10,340	8,140
" January, 1960	10,090	7,940
" *September, 1959	9,450	7,350
January, 1959	8,000	6,400
January, 1958	7,200	5,800
January, 1957	7,200	5,800
January, 1956	6,700	5,350
January, 1955	6,000	4,800
July, 1954	4,975	4,000
January, 1954	4,600	3,700
February, 1953	4,300	3,500
July, 1952	4,300	3,500
January, 1952	4,025	3,325
September, 1951	3,500	2,900

\*Perspectives first published Sept. 12, 1959

<u>Increase</u>	<u>Percentage Increase</u>			
	<u>Milline Rate /</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>		<u>1PBW</u>	
1951 - 1961	210.0%	194.8%	27.6%	21.7%
1951 - 1959	170.0	153.4	16.8	9.9
1952 - 1959	119.8	110.0	15.4	10.2
1956 - 1959	41.0	37.4	14.4	11.4

	<u>Circulation</u>	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
		<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
1951	776,000 (1)	4.63	3.83	4.51	3.74
1952	940,779	4.69	3.82	4.57	3.72
1956	1,452,461	4.73	3.78	4.61	3.68
1959	1,790,072	5.41	4.21	5.28	4.11
1961	1,882,298	5.91	4.66	5.76	4.54

) In this instance the circulation figure of Weekend Magazine is used upon which the advertising rates were based. Actual circulation for this period was 902,000. In all other cases, 1948 to 1959, the Reader's Digest circulation figures have been used, which are from A.B.C. publishers statements. We have discovered minor errors in these figures but they are not significant. Circulation figures for 1961 are as announced by the various publications.



-121-

LA PATRIE

<u>ard Effective</u>	<u>1P4C</u>	<u>1PBW</u>
y, 1959	\$1,500	\$990
y, 1958	1,450	990
1956	1,450	1,100
1954	1,300	950
1951	1,200	850
1949	1,100	750
1948	600	330
1946	600	330

<u>ease</u>	<u>Percentage Increase</u>			
	<u>Milline Rate</u>		<u>Cost per Thousar</u>	
	<u>1P4C</u>		<u>1PBW</u>	
1961	150.0%	200.0%	221.1%	283.9%
1959	150.0	200.0	218.1	280.5
1959	25.0	16.5	76.7	64.8
1959	3.4	-10.0	37.0	19.1

<u>Circulation</u>	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
246,647	\$2.70	\$1.49	\$2.43	\$1.34
274,484	4.86	3.44	4.37	3.10
256,916	6.27	4.76	5.64	4.28
194,110	8.59	5.67	7.73	5.10
192,301	8.67	5.72	7.80	5.15



LA PRESSE

-122-

<u>Rate Card Effective</u>	<u>1P4C</u>	<u>1PBW</u>
January, 1960	\$1,700	\$1,170
January, 1959	1,550	1,080
January, 1958	1,500	1,080
June, 1956	1,450	1,100
June, 1954	1,300	950
June, 1951	1,200	850
June, 1949	1,100	750
June, 1948	950	650
June, 1946	950	650

% Increase

<u>Percentage Increase</u>	
<u>Milline Rate</u>	<u>Cost per Thousand</u>
<u>1P4C</u>	<u>1PBW</u>
1948 - 1961	78.9% 80.0%
1948 - 1959	63.2 66.2
1952 - 1959	29.2 27.0
1956 - 1959	6.9 -1.8

	<u>Circulation</u>	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
		<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
1948	264,504	\$3.99	\$2.73	\$3.59	\$2.46
1952	263,477	5.06	3.58	4.55	3.23
1956	253,750	6.35	4.82	5.71	4.33
1959	257,986	6.68	4.65	6.01	4.19
1961	275,035	6.87	4.73	6.18	4.25





LE PETIT JOURNAL

-123-

<u>te Card Effective</u>	<u>1P4C</u>	<u>1PBW</u>
January, 1960	\$1,050	\$ 700
October, 1957	900	600
October, 1948	450	300
October, 1947	450	300

<u>Increase</u>	<u>Percentage Increase</u>			
	<u>Milline Rate /</u>		<u>Cost per Thousand</u>	
	<u>1P4C</u>		<u>1PBW</u>	
48 - 1961	133.3%	133.3%	61.7%	61.5%
48 - 1959	100.0	100.0	48.2	47.9
52 - 1959	100.0	100.0	95.3	95.3
56 - 1959	100.0	100.0	131.5	131.5

	<u>Circulation</u>	<u>Milline Rate</u>		<u>Cost per Thousand</u>	
		<u>1P4C</u>	<u>1PBW</u>	<u>1P4C</u>	<u>1PBW</u>
48	177,572	\$2.53	\$1.69	\$2.53	\$1.69
52	234,333	1.92	1.28	1.92	1.28
56	278,338	1.62	1.08	1.62	1.08
59	239,729	3.75	2.50	3.75	2.50
61	256,866	4.09	2.73	4.09	2.73



ote from page 62 of Reader's Digest Submission:

-124-

Comparative Circulation Growth of Six

Leading Magazines

(000's of Copies)

<u>Magazine</u>	<u>1952</u>	<u>1959</u>	<u>% Change</u>
Clean's	423.9	512.4	+ 20.9
Chatelaine	757.5 (a)	752.1	- .7
Canadian Homes	77.4	128.4	+ 65.9
Party	411.7	585.8	+ 42.3
Revue Populaire	88.0	104.3	+ 18.5
Weekend Magazine	940.7	1,790.0	+ 90.0
	<u>2,699.2</u>	<u>3,873.0</u>	<u>+ 43.5</u>

(a) Includes Canadian Home Journal which merged with Chatelaine in 1958.

----- end of quote -----

Comparative Circulation Growth of the Ten largest  
(1952 Circulation) Canadian Magazines, excluding Farm Magazines

<u>Magazine</u>	<u>C i r c u l a t i o n</u>		
	<u>1952</u>	<u>1959</u>	<u>% Change</u>
Weekend Magazine and Perspectives	940,779	1,790,072	90.3%
Star Weekly	889,099	949,363	6.8
Clean's	423,993	512,385	20.8
Party	411,778	585,788	42.3
Chatelaine	380,148	752,157	97.9
Canadian Home Journal	377,431	(1)	-
Patrie	274,484	194,110	-29.3
Presse	263,477	257,986	- 2.1
Petit Journal	234,333	239,729	2.3
Revue Moderne	101,971	102,604	.6
	<u>4,297,493</u>	<u>5,384,194</u>	<u>25.3%</u>

(1) Effective 1958, Canadian Home Journal absorbed by Chatelaine

"Canadian" Editions

<u>Reader's Digest and Selection du</u>			
<u>Reader's Digest</u>	<u>796,531</u>	<u>991,930</u>	<u>24.5%</u>
<u>Selection du</u>	<u>145,329</u>	<u>208,843</u>	<u>43.7</u>
	<u>941,860</u>	<u>1,200,773</u>	<u>27.5%</u>



-125-

Quote from page 63 of Reader's Digest Submission:

Comparative Advertising Revenues of SixLeading Magazines

(000's of Dollars)

<u>Magazine</u>	<u>1952</u>	<u>1959</u>	<u>% Change</u>
<u>Canada</u>			
Maclean's	2,510.0	4,496.9	+ 79
Chatelaine	3,025.1(a)	4,375.8	+ 44.6
Canadian Homes	544.7	731.0	+ 34
Liberty	882.4	1,383.6	+ 57
La Revue Populaire	235.3	273.3	+ 16
Weekend Magazine	<u>3,305.1</u>	<u>10,559.8</u>	<u>+219</u>
	<u>10,502.6</u>	<u>21,820.4</u>	<u>+107.7</u>

(a) Includes Canadian Home Journal which merged with Chatelaine in 1958.

----- end of quote -----

Comparative Advertising Revenues of the Ten largest  
(1952 Circulation) Canadian Magazines, excluding Farm Magazines

	<u>Advertising Revenue</u>		
	<u>1952</u>	<u>1959</u>	<u>% Change</u>
Weekend Magazine and Perspectives	\$3,305,143	\$10,559,824	219.5%
Star Weekly	4,080,035	4,948,264	21.3
Maclean's	2,510,065	4,496,956	79.2
Liberty	882,422	1,383,629	56.8
Chatelaine	1,533,059	4,375,850	185.4
Canadian Home Journal	1,492,144	(1)	-
La Patrie	1,063,074	1,096,149	3.1
La Presse	594,046	1,387,212	133.5
Le Petit Journal	241,741	1,019,301	321.7
La Revue Moderne	<u>296,635</u>	<u>327,803</u>	<u>10.5</u>
	<u>\$15,998,364</u>	<u>\$29,594,988</u>	<u>85.0%</u>

(1) Effective 1958, Canadian Home Journal absorbed by Chatelaine

"Canadian" Editions

Reader's Digest and Selection du Reader's Digest	\$2,477,247	\$4,616,353	86.4%
Time	<u>2,004,988</u>	<u>3,946,774</u>	<u>96.8</u>
Total	<u>\$4,482,235</u>	<u>\$8,563,127</u>	<u>91.0%</u>





-126-

Quote from Page 63 of Reader's Digest Submission:

Comparative Circulation Growth of SixLeading Magazines

(000's of Copies)

<u>United States</u>	<u>1952</u>	<u>1959</u>	<u>% Change</u>
Life	5,311.7	6,448.2	+ 21.4
Saturday Evening Post	4,216.0	6,227.0	+ 47.7
Time	1,713.1	2,397.5	+ 40.0
Better Homes & Gardens	3,625.3	4,874.0	+ 34.4
Look	3,260.8	5,881.8	+ 80.4
Ladies' Home Journal	<u>4,869.1</u>	<u>5,986.7</u>	<u>+ 23.0</u>
	<u>22,996.0</u>	<u>31,815.2</u>	<u>+ 38.4</u>

----- end of quote -----

Comparative Circulation Growth of the Ten largest  
(1952 Circulation) U.S. Magazines, excluding Farm Magazines

<u>Magazine</u>	<u>C i r c u l a t i o n</u>		<u>% Change</u>
	<u>1952</u>	<u>1959</u>	
This Week	10,638,333	12,979,340	22.0%
American Weekly	9,379,112	10,044,396	7.1
Reader's Digest	10,266,134 (1)	12,011,389	17.0
Parade	5,322,134	9,541,687	79.3
Life	5,311,747	6,448,215	21.4
Ladies' Home Journal	4,869,174	5,986,727	23.0
McCall's	4,446,146	5,726,103	28.8
Woman's Home Companion	4,315,147	Not published	-
Saturday Evening Post	4,216,017	6,227,075	47.7
Woman's Day	<u>3,811,320</u>	<u>4,247,195</u>	<u>11.4</u>
	<u>62,575,264</u>	<u>73,212,127</u>	<u>17.0%</u>

(1) As Reader's Digest circulation figure for 1952 is presently unavailable to us, we have inserted an arbitrary figure to show the same percentage increase as the total percentage increase of the other nine leading magazines. This does not distort the end result.



Quote from Page 64 of Reader's Digest Submission:

-127-

Comparative Advertising Revenues of SixLeading Magazines

(000's of Dollars)

<u>United States</u>	<u>1952</u>	<u>1959</u>	<u>% Change</u>
Life	96,897.7	134,232.8	+ 39
Saturday Evening Post	75,331.6	96,089.5	+ 28
Time	32,664.2	46,123.3	+ 41
Better Homes & Gardens	21,981.6	25,526.8	+ 16
Look	20,910.9	46,688.0	+123
Ladies' Home Journal	19,196.8	30,799.0	+ 60
	<u>266,982.8</u>	<u>379,462.4</u>	<u>+42.1%</u>

----- end of quote -----

Comparative Advertising Revenues of the Ten largest  
(1952 Circulation) U.S. Magazines, excluding Farm Magazines

<u>Magazine</u>	<u>Advertising Revenue</u>		<u>% Change</u>
	<u>1952</u>	<u>1959</u>	
This Week	\$22,744,447	\$42,810,948	88.2%
American Weekly	11,633,885	15,777,273	35.6
Reader's Digest	(1)	33,105,218	-
Parade	6,850,626	24,529,015	258.1
Life	96,897,749	134,441,468	38.7
Ladies' Home Journal	19,196,877	30,798,894	60.4
McCall's	12,697,512	20,263,179	59.6
Woman's Home Companion	11,586,496	Not published	-
Saturday Evening Post	75,331,623	97,598,552	29.6
Woman's Day	10,942,542	8,179,132	-25.3
	<u>\$267,881,757</u>	<u>\$407,503,679</u>	<u>52.1%</u>

(1) No advertising sold in 1952. Reader's Digest started to sell advertising in the U.S. edition in 1955.



Quote from Page 63 of Reader's Digest Submission:

-128-

Comparative Circulation Growth of Six

Leading Magazines

(000's of Copies)

<u>Great Britain</u>	<u>1952</u>	<u>1959</u>	<u>% Change</u>
Radio Times	7,642.0	7,215.0	- 5.6
N.V. Times (b)	-	3,581.0	-
Woman	2,371.0	3,189.0	+ 34.5
Woman's Own	2,000.0	2,404.0	+ 20.2
Woman's Weekly	1,800.0	1,510.0	- 16.1
Weekend	<u>1,556.0</u>	<u>1,387.0</u>	<u>- 10.8</u>
	<u>15,369.0</u>	<u>19,286.0</u>	<u>+ 25.4</u>

(b) Not published in 1952

----- end of quote -----

Comparative Circulation Growth of the Ten largest  
(1952 Circulation) Magazines in Great Britain, excluding Farm Magazines

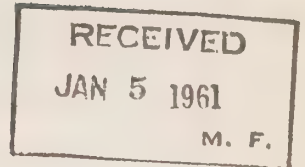
<u>Magazine</u>	<u>C i r c u l a t i o n</u>		<u>% Change</u>
	<u>1952</u>	<u>1959</u>	
Radio Times	7,717,501	7,214,725	- 6.5%
Evening News	3,158,752	1,944,520	- 38.4
Woman	2,298,796	3,188,862	38.7
Woman's Own	1,862,040	2,403,933	29.1
Woman's Weekly	1,777,364	1,509,537	- 15.1
Homson Weekly News	1,200,000	-	-
Illustrated	1,140,402	-	-
John Bull (Today)	1,014,989	988,871	- 2.6
Weekly Overseas Mail (Weekend)	1,000,000	1,387,347	38.7
Lecture Post	<u>966,287</u>	<u>-</u>	<u>-</u>
	<u>22,136,131</u>	<u>18,637,795</u>	<u>- 15.8%</u>







THE READER'S DIGEST  
MONTREAL, QUEBEC



This letter describes an unusual bargain offer:  
and tells you --

- ...How you can get Reader's Digest for the next TWELVE MONTHS AT HALF PRICE -- and how you can pay later.
- ...How you can read just one magazine and keep abreast of all the leading magazines and books.
- ...How you can enjoy more good reading in less time through skillfully condensed articles which give you just the important facts.
- ...How reading the world's most popular magazine regularly will enrich your conversation and thinking -- keep you in touch with the really valuable things your friends are reading and discussing.

Dear Reader,

An ancient Persian poet said: "If thou hast two pennies, spend one for bread. With the other, buy hyacinths for thy soul."

Poetry, perhaps; but hard sense as well!

To buy "hyacinths" for the soul -- to nourish your mind and heart with good reading; to become informed, alert, interesting in what you say to others -- is just as important as progress in your



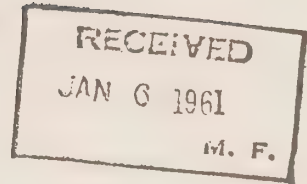
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# THE Reader's Digest

10 - 06

MONTREAL, QUE.



O-383678 461R  
MR A K BUCKLAND  
73 ROY  
MONTREAL 33 QUE

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TAI

*Please destroy this letter after reading it ...*

Dear Subscriber,

Your present subscription to Reader's Digest will expire soon.

Most readers who receive the Digest for any length of time become so attached to the magazine that they no longer care to be without it. They prefer to renew their subscriptions in good time to make sure that they do not miss a single issue.

We believe that you, too, will want to go on welcoming this stimulating visitor to your home, and so -- in the hope that I am anticipating your wishes correctly, and to save you the trouble and expense of writing to us -- I have arranged to continue sending you your Digest without interruption.

Simply throw away this letter and you will be entitled to a substantial discount on your renewed subscription. As a Regular Subscriber, all you need pay for the next twelve months of Reader's Digest is only \$3.40 (instead of \$4.00) -- A SPECIAL REDUCTION IN PRICE OF 15%. And we shall not send you a bill until next month. Send no money now.

(If you do not wish your subscription to continue, may I ask you to write to say so on the back of this letter, and to return it promptly, please? I trust that you will not want to do this, but if you do, I hope to learn something from your reasons.)

Otherwise do not trouble to reply to this letter. To keep the Digest coming into your home at a very much reduced rate, do nothing now; just destroy this letter and look forward to another twelve months of stimulating reading.

Yours sincerely,

*Carolyn Davis*

For the Association

CD:tar



BILINGUAL PUBLICATIONS

1764 - 1959

1764-1874	La Gazette de Quebec
1792-1794	Le Magazine de Quebec
1794-1795	Le Cours du Temps
1796	La Gazette de Montreal
1803-1803	The British American Register
1818	L'Abeille Canadienne
1827-1827	L'Electeur
1827-1830	L'Etoile
1837-1837	Le Liberal
1837-1837	Le Telegraphe
1861	L'Observateur or The Examiner
1863-1865	La Scie
1869	La Revue Legale
1870	L'Independant
1876-1879	Le Nouvelliste de Rimouski
1877-1877	L'Ouvrier
1912-	The Messenger (Verdun, P.Q.)
1915-	Le Canadien
1920-	Review - La Revue
1929-	The Messenger (Lachine, P.Q.)
1930-	Standard (Shawinigan Falls, P.Q.)
1936-	Philatelia
1937-	L'Est Central
1937-	L'Avenir and Sept-Iles Journal
1938-	Free Press Digest
1939-	Culture
1943-1948	Nouveau Monde
1948-	Reader's Digest - Selection du Reader's Digest
1954-	Photo-Fun
1959-	Weekend Magazine/Perspectives

NOTE: This list is not complete.





1948 - 1959

Failures of Canadian Magazines Audited by ABC not  
shown on page 67 of Appendices to the submission  
of The Reader's Digest

	<u>Latest Circulation</u>	<u>Ceased Publishing</u>
Bonne Soirees	23,783	1956*
Canadian Countryman	-	-
Canadian Poultry Review	-	-
Comprehension	-	1948
Farmer and Stockman	50,552	1958*
Farmer's Weekly La Presse	3,457	1959*
Farmer's Magazine	141,384	1958*
Francois	63,829	1955*
Health	35,973	1956*
Jovette	20,306	1948
Leisure	-	-
Le Sport Illustré	-	-
"Mes Enfants" La Revue des Parents	-	-
New World	-	-
Ottawa Farm Journal	229,731	1948
Outdoor Canada	10,341	1956*
Saskatchewan Farmer	-	-
The School	54,897	1956*
Your Garden & Home	-	1948
	-	-

\*Failures from 1952 to 1959



**WHO TORE THE PAGE OUT OF THIS MAGAZINE?**

**MAGAZINES ARE MERCHANDISE**

1900—A drive to boost the image of magazines is being pushed by the Magazine Advertising Bureau of Canada, stressing longer life, local influence, selectivity and finer reproduction. Drive will run until Dec. 31.

of U.S. shops here because they had been "promised the full support of all our departments from New York to San Francisco."

"Of course," he said, "the 'the accounts are somewhat upset when they only get so-so service here and no help at all from south of the border."

Another Canadian agency president said: "I don't really have anything against competition, but what makes me sore is that too many U.S. agencies get too many accounts just because their parent organization works for the parent company in the U.S."

For example, a number of U.S. subsidiary manufacturing companies here often ask Canadian agencies to make presentations for their accounts. The Canadian agencies do this at great expense. They then go back to the U.S. to sell to a U.S. shop. One gets the impression, since this sort of thing happens so often, that the U.S. manufacturing companies have never had any intention of giving their accounts to Canadian agencies. Presumably, I believe, they ask Canadian agencies for presentations as a public relations ploy."

What is the attitude of U.S. agencies here?


Most of them maintain they have to fight just as hard—harder in most cases—to obtain accounts in Canada than they do in the U.S. They are reluctant to give their accounts to "foreign" firms.

The Canadian chief of one U.S. agency said: "I get plain sick of being told I only get accounts because I'm the nearest U.S. agent. I have no idea how hard we have to work to convince Canadian clients that we can do a better job for them than a MacLaren or a Cockfield."

Another Canadian head of a U.S. shop said: "What is bad about so-called U.S. agencies in Canada? They are not U.S. agencies. They are just a bunch of people who get a number of U.S. accounts simply because their parent organization is in advertising for the firms north of the border."

"If you considered this statistically, it would be a disaster," you realize that in Canada, you have highly competitive business could simply not obtain—or retain—on account unless its services to its Canadian clients were at least as good as those obtained by any other agency."

"When an agency is excited by Canadian; some Canadian media; sells Canadian products to Canadian people and pays all Canadian



# Good neighbors make good business

AN ADVERTISER'S EYE-VIEW OF CANADA.

ONE OF THE WORLD'S FASTEST-GROWING MARKETS

If you're not selling in Canada, you're missing the best opportunity you can find today for extra sales and larger profits.

And it's as easy to sell successfully in New Jersey, the Southwest or any section of the U.S. as it is to sell in the best Canadian "foreign" firms.

The Canadian chief of one U.S. agency said: "I get plain sick of being told I only get accounts because I'm the nearest U.S. agent. I have no idea how hard we have to work to convince Canadian clients that we can do a better job for them than a MacLaren or a Cockfield."

Growth: Since 1948, the personal income of Canadians has nearly doubled, and is still rising. Their standard of living today ranks with the highest in the world.

Climate: Canada is the U.S.'s best customer, buying as much as 25% of its total annual exports (and importing Canadian goods in turn, to the U.S.). Canadians want products of good quality and fair price. They favor, by their actions, a wide freedom-of-choice of well-advertised brands.

Access: Canada's best markets are highly concentrated: half the population lives within 125 miles of the border, 90% within 225 miles. This makes for effective market coverage, economical distribution.

**Other Unique Advantages**

Rarely can you find a large market already strong enough to flex its purchasing muscles yet still not surfeited by well-established, competing brands. That is Canada today. There is still time, and room, to build your own consumer franchise, to benefit from, and help to expand, Canada's growth. But no such opportunity will last forever. Your timing for Canada is ideal, right now.

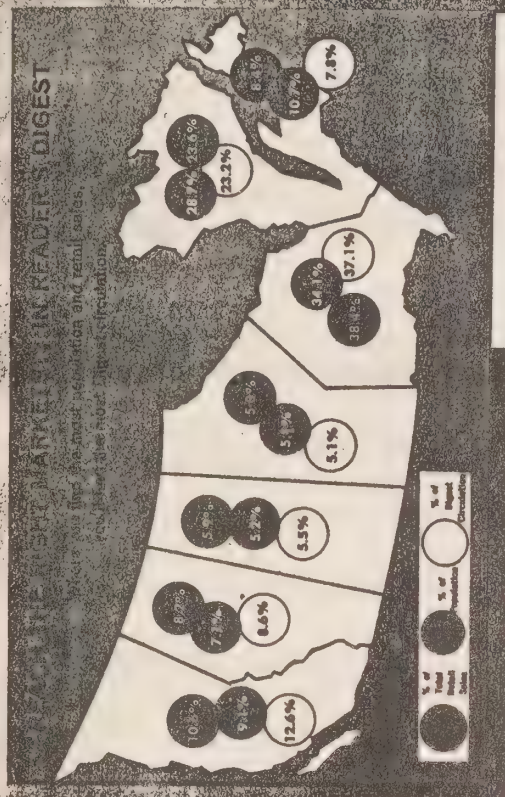
What about advertising? You can reach your best prospects — those with money to spend and the desire to buy — easily, efficiently and economically. You have a wide choice of good media. You also have one medium perfectly fitted as the foundation of your Canadian program, the magazine that more Canadians buy than any other: the Canadian editions of *Reader's Digest*.

The Digest is read by the same kind of people as in the U.S.: intelligent, higher-income families whose enthusiasm for a product can insure its success. They read it the same way, each issue over several weeks, giving you advertising many extra chances to sell. And they believe what they read in it, the editorial and advertising pages alike.

## APPENDIX K

### ENGLISH MARKET IN READER'S DIGEST

By and for Canadians



Province/Territory	Market Share (%)
Ontario	37.1%
Quebec	34.1%
Alberta	12.6%
Saskatchewan	9.1%
Manitoba	7.1%
British Columbia	8.6%
Atlantic Provinces	5.9%
Northwest Territories	5.2%
Yukon	5.1%
Nunavut	5.8%
Other	28.4%

28.4% 37.1% 34.1% 12.6% 9.1% 7.1% 8.6% 5.9% 5.2% 5.1% 5.8%

#### 4 QUICK FACTS

to make your Canadian business better

- Reader's Digest gives you Canada's largest magazine circulation: 1,100,000 copies sold monthly (980,000 in English \$10,000 in French)
- Largest audience: 1,980,000 men, 1,980,000 women
- Largest quality audience: including 45% of all Canadians earning \$7,000 or more.
- Economy and other advantages: \$3.91 per thousand circulation (lowest available); extra discounts for free agency (3% for 6 pages to 10% for 24); you can use either edition, or save money by using both; two colors at no extra cost; and no charge for bleed.

People have faith in

# Reader's Digest

Published and printed in Montreal, Canada

When you advertise in The Financial Post you reach the really important buying influences in all the different fields of business, industry and government across Canada.

Advertise in FP to reach and sell the biggest men in your market.

# FP

## a direct route to the biggest men in your market

When you advertise in The Financial Post you reach the really important buying influences in all the different fields of business, industry and government across Canada.

Advertise in FP to reach and sell the biggest men in your market.

### The Financial Post

Canada's foremost publication for management

481 University Ave., Toronto 2  
1242 Peel Street, Montreal 2  
1030 W. Georgia St., Vancouver 5

West Coast representatives in the United States:  
Douglas A. Scott & Co., San Francisco and Los Angeles.

It is not now known if any more U.S. agencies are planning to move into Canada, but the chances are good that the next year or so will see another three or four on the scene. Some of them may be willing to do everything to gain.

And, as one U.S. agency executive put it: "Canada is a good training ground for our young executives who are on the way up."





Introduction: These recommendations are being made following the brief presented on December 5th to the Royal Commissioners by the Montreal Standard Publishing Co., (Limited), publishers of Weekend Magazine, Perspectives and The Standard. These recommendations suggest courses of action whereby more equitable competitive conditions may be secured for the periodical press of Canada.

Detailed exposition of the conditions leading to these recommendations is omitted here, since this has been covered at the Commission's hearings.

In an effort at clarity the different categories of publications will be defined herein and more particularly a distinction will be made between periodicals printed in Canada and those printed elsewhere. Where the designation "U.S." is used, the term foreign is equally applicable to cover all other countries, except the U.K. and Commonwealth countries.

In distinguishing ownership of Canadian and foreign magazines, it is suggested that "Canadian" includes those where more than two-thirds of the equity is owned by Canadian citizens and foreign where more than one-third of the equity is owned by other than Canadian citizens.

It will be noted that these recommendations





are based on the assumption that the Canadian periodical publishing industry is seeking justice as any industry in Canada should and not special privileges. We do not intend to advocate anything that would impede the free flow of information or access to printed entertainment.

Certain of the following recommendations deal with existing inequalities. Others are designed to meet inherent dangers which will grow as Canada continues to expand. Certain of these disadvantages not only hamper and constrict Canadian periodicals but also place Canadian owned enterprises which advertise in an unfair competitive position.

#### RECOMMENDATIONS

##### U.S. overflow circulation printed outside of Canada.

Editorial Content: The same as U.S. edition  
and

Advertising Content: the same as U.S. edition  
e.g. Playboy

The inequality here is the subsidy by the Canadian taxpayer needed to meet the post office deficit resulting from the mailing of these magazines in or into Canada. It is recommended that this matter be vigorously pursued for action at the Universal Postal Union meeting at Berne in 1962 in an effort to arrange for terminal



payments, second and third-class mail, between the U.S. and Canada. If such an arrangement cannot be made, it is proposed that an excise tax then be levied on cover price to an amount which would equal the postal deficit.

No other action, especially any action which would prohibit the entry into Canada of these periodicals, is suggested. It is to be emphasized, however, that without first obtaining an overflow circulation, "Canadian" editions, split runs and regional editions, which we deal with below, would be hardly possible. And the attendant difficulties would not occur. The recommendations following seek to deal with these adverse multiple effects and not with the overflow circulation itself.

Split Runs Printed Outside of Canada

Editorial Content: the same as U.S. edition  
and

Advertising Content: differing from the U.S. edition  
e.g. Saturday Evening Post

This practice has gathered strength recently and has every indication of growing. We quote from the 1959 annual report of The Curtis Publishing Co. --

"On June 1, 1959, the Company announced the availability of Select-A-Market in The Saturday Evening Post ... a new custom-built



"marketing service for national and regional advertisers. This program, which offers advertisers very flexible and economical ways of reaching the markets most important to them, was announced to become effective with the October 10, 1959, issue. The program was so enthusiastically received with immediate demands for the new service that it was started on a limited basis with the August 1, 1959, issue. Select-A-Market gross advertising revenue in the August 1, 1959, through December 26, 1959, issues of the Post amounted to \$3,707,000. As of March 8, 1960, advertisers had ordered or reserved \$16,738,000 of Select-A-Market advertising for 1960 issues."

As stated in our brief, we believe this to be a method of evading the tariff on advertising matter. Moreover it enables the Canadian subsidiary of a U.S. company to take an unfair advantage over a purely Canadian company by availing itself of the parent company's U.S. advertising.

We believe that if U.S. publications are allowed to circulate freely in Canada, they should not be permitted to take advantage of this fact by using split runs to the detriment of Canadian owned industry as a whole and to the



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the Canadian publishing industry in particular.

Thus we recommend that there should be a 25 per cent anti-dumping tariff plus the 11 per cent sales tax imposed on the U.S. cover price or the Canadian cover price or manufactured cost, whichever is the higher, of each and every copy of any U.S. publication offering, using or making available split run advertising whether or not it contains split run advertising.

For example:

The table is given to show how such action would affect them in terms of figures.

Saturday Evening Post

250,000 circulation @ 15 cents per week =	<u>\$37,500.</u>
25% duty on \$37,500 per week	= 9,375.
11% sales tax on \$37,500 per week	= <u>4,125.</u>
Total per week	<u>\$13,500.</u>
Total per annum	<u>\$702,000.</u>

This should effectively prohibit the practice of treating Canada as a region of the United States.

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"Canadian" Editions Printed Outside of Canada

Editorial Content: differing in part from the U.S.  
edition  
and

Advertising Content: differing wholly or sub-  
stantially from the U.S. edition

e.g. Time (at present)

These "Canadian" editions are published  
to obtain Canadian advertising with the unfair  
advantage of dumped editorial matter.

We therefore believe that they should not  
be entitled to the sales tax exemption, and that  
the editorial matter that is designed for use in  
the home edition, and appears in the Canadian  
edition, should be liable under the anti-dumping  
tariff regulations.

Therefore we recommend first an excise  
tax of 11 per cent on the U.S. cover price or  
Canadian cover price or manufactured cost whichever  
is higher.

And we recommend secondly that an anti-  
dumping tariff on the processed editorial matter,  
i.e. material appearing before, simultaneously,  
or subsequently in the home edition of the foreign  
publication, or forming part of the home edition's  
editorial pool be so taxed.

This processed editorial matter is avail-  
able in the U.S. home edition which Canada allows  
to enter without let or hindrance. If the home

THE UNITED STATES OF AMERICA

TO THE HONORABLE SECRETARY OF THE ARMY  
WASHINGTON, D. C.

Sir:

I have the honor to acknowledge the receipt of your letter of the 10th inst.

(in reply to my letter of the 12th inst.)

and in reply to inform you that the same has been forwarded to the proper authorities.

I am, Sir, very respectfully,  
Your obedient servant,

JOHN W. FOSTER,  
Major General, U. S. Army.

I am, Sir, very respectfully,  
Your obedient servant,

JOHN W. FOSTER,  
Major General, U. S. Army.

I am, Sir, very respectfully,  
Your obedient servant,

JOHN W. FOSTER,  
Major General, U. S. Army.

I am, Sir, very respectfully,  
Your obedient servant,

JOHN W. FOSTER,  
Major General, U. S. Army.

Very  
Respectfully,  
Your obedient servant,

JOHN W. FOSTER,  
Major General, U. S. Army.

I am, Sir, very respectfully,  
Your obedient servant,

JOHN W. FOSTER,  
Major General, U. S. Army.

I am, Sir, very respectfully,  
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JOHN W. FOSTER,  
Major General, U. S. Army.

I am, Sir, very respectfully,  
Your obedient servant,

JOHN W. FOSTER,  
Major General, U. S. Army.

Very  
Respectfully,  
Your obedient servant,

JOHN W. FOSTER,  
Major General, U. S. Army.

I am, Sir, very respectfully,  
Your obedient servant,

JOHN W. FOSTER,  
Major General, U. S. Army.

editions are prevented from entering Canada by the publisher, it is the foreign publisher that is interfering with the free flow of information, not Canada.

New material would be duty free.

It is conceded that the value of processed editorial matter out of the context in which it is published is impossible to assess. Therefore we recommend that the value of the processed editorial matter be assessed at 10 per cent of net advertising revenue of the U.S. and Canadian Editions. This figure to be prorated according to the percentage of processed material in the Canadian Edition.

The figure of 10 per cent of the net advertising revenue is a conservative estimate of the editorial costs of Canadian magazines.

A simple way of collecting this tax would be to use the figures from the previous year to assess the tax for the current year.

To give an example of how these two recommendations would work in the case of Time:



in the United States.

It is a well known fact that

the United States is a free country, not

only.

It is a well known fact that

the United States is a free country, not

only. It is a well known fact that

the United States is a free country, not

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Sales Tax

11% of 220,000 circulation  
at 25 cents per copy for 52 weeks \$315,000

Processed Material

Net Advertising Revenue 1959

U.S. and Canadian

Editions \$41,000,000

10 per cent - 4,100,000

Canadian Edition carrying

90% processed material

90% of \$4,100,000 3,690,000

25% duty on \$3,690,000 922,000

Total per annum \$1,237,000

"Canadian" Editions Printed Inside Canada

Editorial Content: differing from the U.S. edition

and

Advertising Content: differing wholly or substantially  
from the U.S. edition

e.g. Reader's Digest

If a "Canadian" Edition of a U.S. magazine  
is printed in Canada, we would recommend an  
exemption from the 11 per cent Sales Tax, but the  
tariff proposed on processed material would apply.

Regional and Miscellaneous "Canadian" EditionsPrinted Outside of Canada

Editorial Content: differing from any of the U.S.  
editions

and/or

Advertising Content: differing from any of the  
U.S. editions

e.g. TV Guide

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This is a miscellaneous or catch-all category, and we believe that the same principles as stated above should govern. If split run advertising is used, then the recommendation in Par. 6 applies.

If other Canadian advertising, not split run, is carried then the recommendations under Paras. 11 and 12 apply.

"Educational" Magazines.

There is no intent to create any barrier against U.S. or other foreign publications of a cultural, scientific or other educational nature. We would recommend that any such magazines enter Canada as at present.

For Canadian owned and printed magazines in the categories listed in paragraph 22, which contribute to the cultural or political development of Canada and which carry less than 10 per cent advertising, we would recommend that they be subsidized in the same manner as the Canada Post Office subsidizes "country weeklies". It is estimated that the cost of this subsidy is at least \$3,000,000 per annum. We quote from the Canada Official Post Guide, Page 22, Second Class Matter, Paragraph 61:

"Weeklies, fortnightlies and monthlies published in any place having a population of not more than 10,000 to the extent of a

ROYAL ANTHROPOLOGICAL INSTITUTE

OF GREAT BRITAIN AND IRELAND

FOUNDED IN 1871

BY THE

ROYAL SOCIETY OF LONDON

AND THE

ROYAL SOCIETY OF IRELAND

AND THE

ROYAL SOCIETY OF MEDICAL AND NATURAL SCIENCES

OF IRELAND

AND THE

ROYAL SOCIETY OF MEDICAL AND NATURAL SCIENCES

OF GREAT BRITAIN AND IRELAND

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ROYAL SOCIETY OF MEDICAL AND NATURAL SCIENCES

OF GREAT BRITAIN AND IRELAND

"free circulation of 2,500 copies to regular subscribers and newsdealers within 40 miles of the place of publication.  
(See section 83) ..... Free"

We would suggest that any circulation up to 10,000 of these Canadian owned and printed magazines carrying less than 10 per cent advertising be entitled to free mailing privileges. This to be irrespective of the place of publication and destination in Canada. In excess of 10,000 to be at a rate of one and a half cents per pound.

Thank you very much.

THE CHAIRMAN: Thank you, sir, for certainly a most interesting submission.

Now, we will adjourn for lunch and return at 2.15 p.m.

---EXHIBIT NO. 0-135: The Toronto  
Star Ltd.  
Recommendations.

---EXHIBIT NO. 0-136: The Montreal  
Standard Publishing  
Rebuttal & Final  
Submission

---EXHIBIT NO. 0-137: The Montreal Standard  
Publishing -  
Recommendations.

---Adjourned at 12.24 p.m.



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no information was obtained

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--- Upon resuming at 2.30 p.m.

COMMISSIONER JOHNSTON: Mr. Farrell, I wonder if it would be fair to assume, as I do, that you don't approve of these two publications, Time and Reader's Digest.

MR. FARRELL: Exactly, sir.

COMMISSIONER JOHNSTON: And particularly the way in which they presented their case?

MR. FARRELL: Yes.

COMMISSIONER JOHNSTON: Insofar as you are correct, I feel a little bit embarrassed. It seems to me at the time we said they presented a pretty good brief.

MR. FARRELL: It was a good brief. I thought so too, except on closer examination.

COMMISSIONER JOHNSTON: Would you make an estimate as to what would be a fair charge for the editorial material that goes into Reader's Digest if they had to buy the articles?

MR. FARRELL: Well, sir, they run about 31 pieces, I think. At our rates and monthly circulation I should say somewhere in the order of \$25,000 per month.

COMMISSIONER JOHNSTON: \$25,000 per month?

MR. FARRELL: Yes, and of course, that excludes all other editorial costs. I am only talking of the cost of purchasing the material, and not the handling or the editors or anything else. The price of the outside features is what we would call it.



COMMISSIONER JOHNSTON: And in the case of Time telephoning to Jerusalem that would be an editorial cost, would it?

MR. FARRELL: Time, yes. Time I wouldn't like to make any comment on because covering the news is a more expensive thing than buying features and it is unexhaustible. You can spend all you like on covering news.

COMMISSIONER JOHNSTON: I was interested in your comment about readers' choice of the Digest is a voluntary one without pressure and, in fact, in the face of certain deterrents. Would you make a guess as to what these deterrents are? Perhaps we should wait and ask Mr. Zimmerman.

MR. FARRELL: I would suggest that the only deterrent is having to pay. That is what the deterrent is.

COMMISSIONER JOHNSTON: Would you think as was suggested yesterday in Time's brief that the Canadian magazine industry is, if anything, stronger for the competition it has.

MR. FARRELL: I disagree completely with that. I don't see how it is possible. All the magazines are fishing in the same pond, and they use that term themselves. I would say this pond is getting smaller because of the encroachment of T.V., and then you have two poachers come in and take some of the fish out of the pond. There is less left.

COMMISSIONER JOHNSTON: Isn't "poachers"



rather a strong word under the circumstances?

MR. FARRELL: I don't think so, no.

COMMISSIONER JOHNSTON: Do you think that Reader's Digest in planting or suggesting articles are subsidising the magazines from which they get them.

MR. FARRELL: I think they unquestionably help the smaller magazines. I don't think there is any question about that because the small magazines that can get a good piece and, they are good pieces, there is no argument on that score. They can get good pieces for a fraction of their true cost and true value. They are being helped, but these small magazines are not the ones that are competing for the advertising dollar. I mean they are competing a tiny, weeny bit, but it is not significant competition.

COMMISSIONER JOHNSTON: A publisher of one of the smaller magazines said he got no benefit from money paid to his writers or by Reader's Digest. Would you concur in that?

MR. FARRELL: No.

COMMISSIONER JOHNSTON: Tell us about the Standard? Living in the dark woods of Toronto I don't know what you do in Montreal on a Saturday night. Is it still published as it has been for the last 40 or 50 years?

MR. FARRELL: You see when we started Weekend Magazine in 1951 we withdrew the Standard





from circulation in the areas where we sold weekend magazines. Now the Standard for all practical purposes only circulates in Saskatchewan and Nova Scotia. We have about 25 to 30,000 in those provinces and it sells the same as the Star Weekly.

COMMISSIONER JOHNSTON: It does not circulate in Montreal then?

MR. FARRELL: I think that 22, 25 copies - no, I don't think there are any now. I think there were and the news dealer said it wasn't worth handling them and we agreed.

COMMISSIONER JOHNSTON: Would not your proposal for taxing magazines like Saturday Evening Post, wouldn't that add to the retail price?

MR. FARRELL: No sir, I don't think so, because they would simply stop offering this split run.

COMMISSIONER JOHNSTON: I see.

MR. FARRELL: You see this would just stop the split run. It wouldn't become economic, which is what our recommendation is designed to do, to be prohibitive.

COMMISSIONER JOHNSTON: Do you know anything about these grocery magazines?

MR. FARRELL: Well, something, but I am certainly no authority on them, sir.

COMMISSIONER JOHNSTON: I was wondering, do you consider them competitors for national advertising?

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MR. FARRELL: Yes. They carry Campbell's Soup. They carry other food products, the same advertising we carry, although it is chiefly overflow.

COMMISSIONER JOHNSTON: Overflow?

MR. FARRELL: Yes, they do have split run advertising but it is relatively small. The danger of that increasing is the real danger, as I see it. I think split run is in its infancy. If it is not stopped now it will be a very serious factor for the Canadian magazines.

COMMISSIONER JOHNSTON: Have those magazines a commendable editorial content?

MR. FARRELL: I am not just familiar with their editorial content.

COMMISSIONER JOHNSTON: That is all.

THE CHAIRMAN: Mr. Beaubien.

COMMISSIONER BEAUBIEN: Mr. Farrell, about overflow circulation, as far as advertising is concerned you would be satisfied if the Postal rates were readjusted so as to avoid any losses on the part of the Post Office department with regard to the distribution of magazines. Do you not think there is a lot more to overflow circulation of advertising than just the cost which it means to the Postal Department? In other words people like Canadian Marconi or the Roy Industries making refrigerators, they have to meet the overflow advertising of people like General Electric, Westinghouse and General Motors. Aside from just straight circulation, from the point



of view of industry in Canada it is quite important.

MR. FARRELL: I think the overflow is damaging in the whole, but could think of no satisfactory recommendation or solution to make on this, and say that it is 25% of the problem. We think if you start with overflow - I must say we would be happy to see something done to control the overflow, but frankly we could not figure what should be done so we couldn't make any recommendations on that score. It does take advertising dollars away from the Canadian magazines and it does put the Canadian industry at a disadvantage. I don't think there is much question on that score. I would agree with you sir.

THE CHAIRMAN: Well, I pass. I think in a case like this, this is rebuttal and I wouldn't want to go bail for everything I have heard this morning. I think I have to hear the lawyers for the defence. I think the thing to do as far as this Commission is concerned is to hear you all, hear you rebut the rebuttals, and then we are in a better position. I have no questions in the meantime.

Thank you very much, sir, for the way you have stated your case.

MR. FARRELL: Thank you, sir.

MR. QUINN: Mr. Floyd S. Chalmers.





REBUTTAL AND RECOMMENDATIONS OF  
THE MACLEAN-HUNTER PUBLISHING COMPANY LIMITED

Appearances: Mr. Floyd S. Chalmers, President.

MR. CHALMERS: Now, Mr. Chairman, this rebuttal submission will be very brief. It is not my intention to make comment upon each and every reference to Maclean-Hunter that has been made in the course of these many hearings from coast to coast. Also, it is not my intention to deal with every criticism that has been made of the Canadian periodicals or magazines in the general sense. The president of the Periodical Press Association will be appearing before you later.



During the course of the hearings, U.S. publishers and the Magazine Publishers Association of the United States have implied that no special sales effort is directed, on behalf of American publications, toward the Canadian reader.

There is some evidence before the Commission that in the business paper field a special effort has been directed to the Canadian market by some publications. It has been shown that the purpose of the extra Canadian circulation is to strengthen the case for the sale of advertising.

In the magazine field it may very well be that no greater sales pressure is used in the Canadian market than in the home market. We do not believe that anyone associated with Canadian magazines has claimed that there was.

United States magazines are under considerable encouragement from governmental departments, such as State and Commerce, to promote their "forgotten" sales. But we do not believe that American magazine publishers as a whole think of Canada as a foreign market. They think of it as a regional part of their domestic market. Their field selling organizations and their newsstand distributing organizations simply extend their normal operations into Canada in the same way that they would extend them into the Deep South or to the Pacific States.



We have not suggested that there is "special" sales effort in Canada. We merely wish to point out that the combined circulation activities of United States publishers in this market constitute a weight, variety and extent of sales pressure that are beyond the capacity of Canadian publishers to match. As a result Canadian publishers find their own circulation operations to be very costly.

And it must be remembered that the copies of U.S. magazines sold in Canada are "over-run" copies produced at minimum cost. For example, the cost of printing and paper for a 156-page magazine with 150,000 circulation is 37.3 cents.

That, by the way, is the Maclean-Hunter figure. I do not know what it would be, necessarily, in an American company.

Additional copies can be printed at 19 cents per copy, or about one-half. If the original editorial, administrative, advertising and other costs are included, the difference between the basic copies and the over-run copies would be in the range not of 2 to 1, but of 4 to 1.

The Commission has heard - at several hearings -- of foreign dominance in Canadian newsstand distribution. Perhaps it should be emphasized that this same dominance - although varying in degree - applies in all the other





channels of circulation acquisition in Canada.

The basic channels of circulation acquisition are:

- (a) Newsstand
- (b) Direct mail
- (c) Personal or "field" selling

Newsstands: We feel that the Commission has ample evidence as to the nature of the difficulties facing Canadian magazines on Canadian newsstands. I refer you also to my previous statement concerning the reasons why our own company was forced to abandon our national newsstand organization in favour of using the services of a United States Company, to distribute our magazines in Canada.

Direct Mail: There are certain months of the year in which direct mail solicitations for new orders gain the highest response from the consumer. Canadian magazines have to mail in those months to be most efficient; but, during those same months, Canadian households are flooded with circulation subscription solicitations from U.S. publications. This reduces the orders for Canadian magazines and thereby increases the sales cost very substantially. Generally speaking, the direct mail material used by United States magazines can be much more costly and colourful

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than that used by Canadians, as the preparatory costs can be spread over a very much longer press run.

These direct mail efforts in the magazine circulation field call for specialized services for the maintenance of up-to-date lists, elimination of duplicate names, classification by socio-economic standards, etc.

In this area we find ourselves forced to rely upon United States-controlled companies. We made an exhaustive study of the possibility of setting up a Canadian company to do this work but found that the Canadian magazine field was not large enough to warrant it on an economic basis.

We have used two such companies.

Until a few years ago we employed the services of O.E. McIntyre, the major mail list house in Canada. This house handles the direct mail operations of Reader's Digest and Time in Canada and the United States. It had a wealth of experience in publication direct mail efforts and we found this experience extremely valuable.

Shortly after the magazine tax was imposed, O.E. McIntyre advised us that they could not handle our mailings. They have not since then accepted any direct mail work from Maclean-Hunter.



We have therefore employed another firm Mail Corporation of America. We pay this American company more than \$120,000 a year for their services in developing and maintaining mailing lists for us. The greater proportion of this expenditure is spent by them in the United States where they maintain 40 million punch cards, of which 3 million are Canadian. We would prefer to deal with a Canadian company, but in view of the small size of the market for purely Canadian magazine lists the establishment of a completely Canadian house to handle our mailings would be far too expensive an undertaking.

Field (or Personal) Sales:

This type of selling breaks down into several classifications:

(a) Paid during Service:

The paid during service type of sales operation is one where a large group of magazines is sold by personal call and payments are made on the instalment plan. A PDS company usually handles a large group of magazines so that the consumer can select from a wide choice. There are seven PDS organizations in Canada today, five wholly owned by American interests, one holding its most important franchise from the United States, and a seventh one





that Maclean-Hunter has just started.

The launching of this operation represents a substantial investment by us. However, it is in our opinion absolutely essential that we develop a Canadian PDS operation. All other PDS operations feature as their lead-off publications one or another of the top United States magazines such as Life, Look, McCall's, etc. The Canadian magazines are sometimes included but never featured in the list the consumer is given to choose from.

(b) Cash Field Sales:

This is a door-to-door selling operation where subscriptions are sold to the household for cash. Under the PDS, a group of magazines are sold and the collection is made on a collection plan.

This is usually a single magazine or two that are sold and they usually seek to collect the money on the spot.

In the past few years many such operations have come to Canada from the United States. They feature U.S. publications but most of them will handle the leading Canadian periodicals as well.

They can outsell, and outpay, personnel working for a purely Canadian field sales



organization because they handle 35 or 40 publications, can give the consumer a wide choice, and therefore can make more money per salesman. This more money per salesman entices salesmen from similar Canadian companies. To combat this, we are trying to start a cash field sales operation which will sell both Canadian and American magazines but which will place the emphasis on the Canadian rather than on the American magazines. Selling American magazines is a step that we do not like to take but we are forced into it.

(c) School Plans:

Circulation "school plans" are plans established with the full concurrence of the principals and boards of various schools whereby the student body sells subscriptions to various magazines. The commissions, that are paid by the publisher, arising from such sales are used for the benefit of the school - such as in the purchase of musical instruments, projectors, sporting equipment, etc.

Maclean-Hunter operated a school plan for a number of years, but found that as a direct result of competition from the Curtis school plan - which was able

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to offer schools a larger list of magazines, particularly their own Curtis magazines - we could no longer afford this method of sale.

We vacated the field, and turned our staff over to the Curtis Publishing Company in an agreement which called for Curtis featuring the Maclean-Hunter publications along with their own. This arrangements has worked out quite satisfactorily.

We have no complaints against the manner in which Curtis have featured our publications. But the control of this source of circulation has passed into the hands of a United States corporation.

(d) Sales through Newspapers:

This type of selling is where newspaper carrier boys, backed by advertisements in their own newspaper, sell magazine subscriptions together with the delivery of their newspaper, on the instalment plan. This is another form of the paid during service operation which I have already described.

There are two major agencies in Canada, which work with newspapers in developing these sales plans. One is wholly owned in the United States, and the other





features, very largely, U.S. magazines. We do not know if there is any U.S. ownership interest in it. A third newspaper agency started up in Ottawa last year and was most successful in working with Maclean-Hunter and Consolidated Press in this city. However, despite the efforts of that agency to expand to other newspapers across the country, it has not found it possible to do so.

To sum up, the newspaper sales agencies also feature very largely American magazines.

Adding together these sources of circulation and subscription selling that I have spoken of, eliminating direct mail and newsstands, direct mail being largely in our own control, except to the extent that we have to rely on a United States organization for the preparation, maintenance and lists, eliminating direct mail and eliminating newsstands, 50 per cent of our subscription selling, slightly over 51 per cent of all the subscription selling of Maclean-Hunter is under United States control at the present time. We have to deal to the extent of 51 per cent with American concerns.

In general, the sales outlets and sales avenues of Canadian magazines are being overwhelmed

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by pressures from south of the border. We do not contend that any individual American publisher is making any concerted effort to hurt Canadian publications. In fact we believe that this is not true. We do believe that, when we have such an overwhelming number of magazines, all treating Canada as another region of the United States, the cumulative U.S. sales strength reaches a state close to domination.

Our company has spent very large sums of money developing its direct mail techniques and mailing lists, its own directly employed field sales force, its own telephone sales offices, circulation promotion and administrative staffs.

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We have been forced into quite abnormal costs simply because of the sales practices which develop and maintain overflow circulation as if it were domestic U.S. circulation.

I emphasize that because I think this is a very definite part of the problem that Canada is not regarded by the American publisher as a foreign country but that it is merely a region of his domestic market.

The submission of Time International of Canada Limited states:

"It should be noted also that publishing houses, as well as other enterprises, may assign value of high order in promoting certain products for prestige reasons alone. A publishing company publishing diversified magazines and periodicals or a company of diversified ventures, whether inside or outside the field of publishing, draws importance and finds extra vitality from the distribution of major journals of information and opinion, whether or not these journals or any of them return a substantial profit of their own."

It could be that the reference is to Maclean-Hunter.

It is not likely that the Commission will take the comment very seriously, but for the





record I should like to state that Maclean-Hunter does not publish its magazines for the purpose of promoting its business papers or for the purpose of promoting its commercial printing business. We have now reached the position where we must earn a normal rate of profit on our magazines, and feel that to earn such a normal rate of profit would represent a just reward for the years of effort and the very large capital investments that we have made in these magazines.

I have dealt at some length with the aspects of circulation selling because it seems to me that that is a subject that has not been adequately covered before this Commission by anybody.

Time International of Canada states in its brief:

"It is manifest that one of the greatest dangers to the freedom of the press is a monopoly by any one man or group of men who could guide and determine the culture and unity of Canada."

Also, the submission of Current Publications who, I believe, appeared as Seccombe House -- Current Publications being another name -- refers to "the erosion of free competition by the tendency to aggrandisement within the periodical



press of Canada". Current Publications state their belief that this tendency "may well constitute a threat to the Canadian periodical press as a whole (including the business and professional press as well as general magazines)!"

We do not have access to the figures of the relative rates of growth of, all of the multiple publishing houses producing business and professional publications in Canada. But the Commission has such figures for individual houses, and a study of comparative rates of growth in this field would be of value. Current Publications presented in the open hearings to the Commission figures showing that between 1952 and 1960 their volume grew by 275 per cent. During the same period Maclean-Hunter volume grew by 110 per cent.

We had been given figures by two other houses showing their growth in the same eight-year period in volume was 327 per cent and another showing a growth in volume of 225 per cent.

Still another business paper publishing house has frequently claimed to be the most rapidly growing business paper publishing house in Canada.

Altogether, it would seem, from evidence presented to the Commission, that a substantial number of business paper publishing houses have been making satisfactory progress in Canada. Certainly, our company finds the competition keen



and healthy, and it has been able to observe no tendency to monopoly or undue aggrandisement of any group.

I have been referring to business papers.

So far as general magazines are concerned, the Maclean-Hunter share of the magazine field looks large because the field itself is so small. Let me summarize what has happened, over the recent years in Canada.

(a) One by one Canadian consumer magazines have tended to drop by the wayside due to the overflow circulation of American magazines. In the U.S.A. and the U.K., magazines that have folded up have, in the main, been replaced by new native magazines. In Canada, magazines that have folded up have not been replaced. In the result, we have too few magazines left.

(b) Among those that are left are Maclean-Hunter's magazines. Our company as a matter of policy has not applied purely financial considerations to its publishing of magazines. It has accepted a responsibility to the people of Canada to ensure the survival of a hard core of wholly Canadian magazines. It has made enormous investments in plant and equipment to this



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end, investments that could never have been justified on purely business grounds.

If we had adopted what would have been a more business-like policy of folding up any one of our magazines that had suffered a net loss for, say, a period of five successive years, Canada today would have even fewer magazines than the inadequate number that have in fact survived.

Quite frankly, we think it has been a good thing for Canada that Maclean-Hunter has remained up to now so much a family-and-employee-owned company. This may not always be the case. It may one day be necessary to offer shares in our company to the general public. The policy would then have to be quite different. It is not likely that a board of directors, feeling a sense of responsibility to a large group of investors, would continue to publish our magazines at all, unless they could show a reasonable profit.

We feel it is a matter of some urgency that a broader foundation be established for magazine publishing in Canada. This country needs an economically sound basis for magazine publishing to attract new brains, new energy, and new investment into the field.

We have suggested, and I have suggested before as I have stood here that the need for new Canadian magazines exists, that the market for them



exists and that what is required is less competition from by-product publishing and end-of-run imports.

Let us examine this potential market in greater detail.

There are two ways, neither very scientific I admit, of measuring the advertising potential for magazines in Canada:

(a) One is to consider the present dollar volume of advertising in the magazines that are read by Canadians. This would include advertising in Canadian magazines, advertising in Canadian editions of non-Canadian magazines, and advertising in the Canadian circulations of overflow magazines.

(b) Another way is to see what the volume of advertising in Canadiana magazines would be if they enjoyed the same percentage of the market for advertising in printed publications that is enjoyed by U.S. magazines in that market.

By the first standard of measurement, the actual volume of magazine advertising to which Canadians were exposed in 1960 was \$48 millions.

By the second standard of measurement the potential market, again based on 1960 figures, is \$45.6 millions.

It is very revealing that these two quite



different approaches should arrive at figures so similar. We think they are conservative figures, remember that U.S. magazines carry 7.8 per cent of the total expenditures on advertising in that country. Magazines in Canada, including Reader's Digest and Time, carry 3 per cent of the total.

It is evident that there is a potential advertising market to justify a dozen or more new national magazines, both magazines of mass circulation and high advertising rates and specialty magazines of smaller circulation and more modest rates per page.

Let us look at the circulation potential for magazines in Canada. If the truly Canadian magazines had enjoyed a market for only one-half of the total purchases of magazines by Canadians in 1960 their total annual sales would have been 112.5 million copies against the actual figure of 65 million copies.

To put it another way, if Canadian policy resulted in the existing magazine market being divided 50-50 between imported magazines and native magazines, there would be an increase based on 1960 figures, of 47.5 million copies per year, or approximately 4 million per month, to be shared between existing magazines and new magazines. Thus the scope for new magazines





and the scope for growth by many of our smaller, and presently struggling publications are abundantly demonstrated.

The Chairman asked me, on my last appearance in Ottawa, if in fact a new magazine venture could survive against Maclean-Hunter competition.

May I point once again to the healthy and profitable survival and growth of a large number of business publications and a considerable number of multiple-publication houses in the business paper field in the face of the very vigorous competition between Maclean-Hunter and these other publications and houses. We would hope that the same high assurance of survival and growth could be introduced into the magazine business.

"Live and let live" in the field of periodical publishing is not merely an expression of a moral code. It is the expression of sound business policy. The growth of competitive houses in business paper publishing has built up that field to something important and significant in Canada. It has won respect for all business papers from the business men who are the reading audience. It has made advertisers and advertising agencies recognize such publications.

It is a policy of long standing at Maclean-Hunter to encourage the maintenance of



vigorous competition. We do this for very sound business reasons. I should like to quote from some correspondence that passed between my two predecessors in the office of President of Maclean-Hunter in 1938.

In that year, the president of Hugh C. MacLean Publications, Major Hugh C. MacLean, approached Colonel John Bayne Maclean, then chief executive of my company, with a proposal for a merger of the two companies. Colonel Maclean took counsel of his second-in-command, Mr. Horace T. Hunter. Mr. Hunter wrote a letter suggesting that it would be better for the publishing field in Canada if the two companies remained separate and continued to compete. He said:

"There would be a distinct advantage in having a number of companies contacting advertisers and agencies and impressing them with the sound principles on which business papers are working."

That was good advice in 1938. It is good advice for both magazines and business papers in 1961. It will be good advice in 1971 and in 1981.

I would like to conclude by this, Mr. Chairman, because I have some views on the subject of starting new magazines in Canada.



I do not think that under the most favourable conditions it is going to be easy to start new magazines in Canada. But under equitable competitive conditions they will be started and a reasonable percentage of them will survive. Most of them will start as magazines with an appeal to specialized audiences. Some of them will grow into large magazines and become profitable.

Actually, the strengthening of the magazine field in Canada is likely to begin with the expansion of the circulations of the many small or financially handicapped magazines already in the field.

The periodical field is almost the only publishing field left in Canada in which an ambitious young man or woman can get started, because no cash is needed for buildings, presses or similar equipment. The trend today, even with very large publishing companies, is to have the printing done by a commercial printer.

What the young publisher needs is of course an idea, a clearly defined concept of his magazine and the field it is to serve. He needs enough capital to see him through the first few months; and if he is really ambitious and tries to start in a big way, he had better count on losses for a few years. He will have to be equipped with a sense of dedication, a measure of prudence in the handling of money and a willingness





to work around the clock. He will need patience. Failure is bound to ensue if the publisher is a starry-eyed intellectual who does not know how to sell advertising (or, alternatively, if he does not hire a first-rate advertising salesman who can double as his business manager). Failure is bound to ensue also if he is only an advertising salesman who thinks he can fill in his editorial columns with dull, third-rate material.

I would be surprised if many of these new publishers did not come out of the existing publishing houses. That is where most of the new publishers of business papers got their training and their ambitions.

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COMMISSIONER JOHNSTON: Mr. Chalmers, I think it might be noted on the record that Colonel Maclean and Major Maclean were brothers. You didn't say that here, but I guess everybody in this room knows it.

MR. CHALMERS: They were brothers, yes.

COMMISSIONER JOHNSTON: Do you want to stand. There is no reason why you should. Your voice is good around the room.

On the matter of newsstands, we had here after your previous appearance a representative of Gordon and Gotch. I think one of us asked him if he had been approached, if they had been approached by you when you were trying to find a better way of distributing your publications. He said they hadn't been approached. Do you know anything about that or why would they not be approached.

MR. CHALMERS: Gordon and Gotch never approached Maclean-Hunter. They never tried to sell us their services. Gordon and Gotch were know to me, and perhaps inaccurately, were known to me as an organisation which did a first-class job on selling those British publications which were interested in this market. I think, myself, I had no evidence that Gordon and Gotch were equipped to sell and handle Canadian publications. We had no evidence that they had any field organisation of any kind in this country. A number of publications were mentioned by the representative of Gordon and Gotch here, and if



you recall, they were practically all Canadian publications - I am sorry, British publications, either British publications or quite small Canadian publications. I was interested to notice that the Canadian publications they are handling are some of those that I am afraid we left derelict when we folded up our organisation.

COMMISSIONER JOHNSTON: Do you think they are doing a useful job for the periodical publishing companies in Canada? Are Gordon and Gotch doing a useful job, do you think?

MR. CHALMERS: I see no reason to think they aren't. Mr. Rungay, our circulation director says he sees no reason to believe they will not do a reasonable job. I know of no reason why they should not. They are a very responsible, very reputable organisation.

COMMISSIONER JOHNSTON: O.E. McIntyre, who is that? Is that a company or what is it?

MR. CHALMERS: A company.

COMMISSIONER JOHNSTON: Have you any theory as to why they refused to take any business from you?

MR. CHALMERS: What is the Latin - poste hoc - hoc propter.

COMMISSIONER JOHNSTON: It is beyond me.

MR. CHALMERS: We know that this refusal on their part to handle our business followed the introduction of the tax. That is all we know.





COMMISSIONER JOHNSTON: Do you know who owns O.E. McIntyre?

MR. CHALMERS: We don't know.

COMMISSIONER JOHNSTON: On renewals of subscriptions...

THE CHAIRMAN: Have you heard that Reader's Digest have a substantial interest in O.E. McIntyre?

MR. CHALMERS: I have no information.

THE CHAIRMAN: You have no information. They circulate Time.

MR. CHALMERS: I am informed they work for Time.

COMMISSIONER JOHNSTON: Your renewal subscriptions, do you keep your renewal subscription list on your property, your building?

MR. CHALMERS: Oh yes, all our stencils are maintained in our building and our renewal mailings are handled by ourselves.

COMMISSIONER JOHNSTON: These mailings from the United States or the lists you get from the United States are lists of prospects?

MR. CHALMERS: That is right. They are for new circulation.

COMMISSIONER JOHNSTON: You say "the normal rate of profit of magazines", what is a normal rate?

MR. CHALMERS: The normal rate of profit on a magazine - in Britain they told me, my friends over there told me the normal rate of profit on a



magazine is 35 to 40% before taxes. I don't know of anybody on this side of the water that says any such figure, either in the United States or in Canada. I think we would be very happy if we could experience a profit of 5% net after taxes. We wouldn't regard this as excessive, but I cannot prove to you that this is a normal rate of profit.

COMMISSIONER JOHNSTON: You do better than Curtis, don't you?

MR. CHALMERS: Pardon?

COMMISSIONER JOHNSTON: You do better than Curtis Publishing Company.

MR. CHALMERS: Well, of course, in our magazines we are not. Are you speaking of the company as well?

COMMISSIONER JOHNSTON: Yes.

MR. CHALMERS: Of the company as a whole. There is a return on sales, 1959, Maclean-Hunter nets after taxes, 2.9%; McGraw-Hill, 7.74%; Meredith Publishing Company, 8.21%; Time, Life, 3.32%; Chilton Corporation, 3.48%; McCall Corporation, 1.63%; Curtis, 1.63% and United States printing and publishing industry as a whole, 4.3%.

THE CHAIRMAN: What figures are these?

MR. CHALMERS: They are figures that have been compiled through annual reports of these companies and such sources by our Vice President of Finance with the exception of the figure of the U.S. printing and publishing industry as a whole.



The source of that is the National Industry Conference Board.

THE CHAIRMAN: What year are these figures?

MR. CHALMERS: 1959.

THE CHAIRMAN: Because when the Saturday Evening Post man was here he told us that last year the gross sales of the Curtis Publishing Company were \$238,000,000, and that their net profit after taxes was \$1,000,000 and something, less than half of one per cent. In fact, he made the remark then, that is why I am not here advising the Canadian publishers how to run their magazines. This must have been an exceptional year. I expect it was.

MR. CHALMERS: I am sorry, I don't happen to have it.

THE CHAIRMAN: It is in our records. It was in his submission. We asked him about it because it struck us as most extraordinary. He said there was no doubt about it.

MR. CHALMERS: I am advised that Curtis Publishing Company's gross revenues are before advertising agency commissions and cash discounts, whereas most publishers take their gross revenues as being a figure after that. This would make some slight difference.

COMMISSIONER JOHNSTON: Would that improve it? Would that improve their position?

MR. CHALMERS: Yes, if you were to apply their profit figures against a smaller revenue it





naturally would increase it.

THE CHAIRMAN: Why would that be done, gross profit if they hadn't taken advertising agency commission off?

MR. CHALMERS: Gross revenues you mean?

THE CHAIRMAN: Yes, is that the way it is usually done?

MR. CHALMERS: It is usual, it is customary, in publishing to deduct the agency commissions because it is not actual revenue that ever goes into your tills.

THE CHAIRMAN: You don't think he had done this?

MR. CHALMERS: We are advised they don't in their figures.

THE CHAIRMAN: I will look it up and see what he said about it.

MR. CHALMERS: Mind you, I am speaking now of their gross revenues. You understand that the agency commission has been deducted before arriving at their profit figure.

COMMISSIONER JOHNSTON: In paragraph 18 there is reference to some percentages of gross in some other companies. I am a little bit bothered. We don't know where you started to arrive at the gross of 275%. If it started low...

MR. CHALMERS: You mean for current publications, sir?

COMMISSIONER JOHNSTON: Yes.



MR. CHALMERS: Their figures are in the evidence. They are in their submission. I think they started their figure at \$325,000 and raised that figure - I do wish you would check this with a reference to their submission - they arrived at a figure in the range of \$1,000,000 approximately.

COMMISSIONER JOHNSTON: I would sooner have Maclean's figure than their 275%.

MR. CHALMERS: That is quite correct, sir. I am merely trying to arrive at the point that it is possible - not to arrive - to build up a competitive publishing house in the face of very vigorous competition from Maclean-Hunter and several people have done it.

COMMISSIONER JOHNSTON: I wonder if you haven't contradicted yourself a little where you say that your company accepted a responsibility to the people of Canada to ensure the survival of the hard core of wholly Canadian magazines. Earlier you say that the Maclean Publishing Company and Maclean-Hunter is not publishing a magazine for prestige. You want to make some money. Are the two statements consistent?

MR. CHALMERS: I think these statements are not in conflict. The word prestige has, in my mind, an association with the concept of the corporate image. It is quite possible for an individual to do something through, shall we say, not unworthy motives without being too concerned about the prestige



that may result from that action. It is just possible that a corporation in some of its actions to a limited degree may be similarly influenced.

COMMISSIONER JOHNSTON: In your experience would you think that Time's Canadian circulation would be materially reduced if there were no four pages of so-called Canadian news?

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Chalmers:

MR. CHALMERS: I have a very definite view that it would not be materially reduced. I just have the feeling, based solely upon conversations with people I know, that this is not the primary or even a very important reason why they buy Time; but, I do not think that my opinion on that is, perhaps, as good as the opinion of Time itself, which must have made some studies of this. You see, the four pages are fairly recent, I think.

COMMISSIONER JOHNSTON: I believe it was three up to September, or somewhere in there. I am just wondering what their service to their readers -- how much it would be adversely affected if they decided not to publish those four pages?

MR. CHALMERS: I think this is an opinion which I, as a competitor, would prefer not to express.

COMMISSIONER JOHNSTON: All right. I was just wondering, Mr. Chalmers -- we have some figures produced by the auditors about your company. I do not know whether you are coming back again. Is this your final appearance?

MR. CHALMERS: I was counting on it being my final appearance. Let us make it the final appearance. I am prepared to stay here indefinitely. If you have the time, I have the time.

CHAPTER I

The first part of the book is devoted to a general survey of the subject. It begins with a definition of the term "philosophy" and then proceeds to a discussion of the various branches of the subject. The author then discusses the history of philosophy and the different schools of thought that have developed over the centuries.

The second part of the book is devoted to a more detailed examination of the various branches of philosophy. It begins with a discussion of metaphysics and then proceeds to a discussion of epistemology, ethics, and politics. The author discusses the different theories and arguments that have been put forward in each of these fields.

The third part of the book is devoted to a discussion of the relationship between philosophy and other disciplines. It begins with a discussion of the relationship between philosophy and science and then proceeds to a discussion of the relationship between philosophy and literature, art, and religion.

The fourth part of the book is devoted to a discussion of the future of philosophy. It begins with a discussion of the current state of the subject and then proceeds to a discussion of the challenges and opportunities that lie ahead.

## Chalmers

THE CHAIRMAN: You were merely hoping it was your final appearance?

MR. CHALMERS: Yes.

THE CHAIRMAN: Well, as I study those figures, they pretty much substantiate what you have been telling us about your company. There may have been some detail things there that Mr. Johnston would like to ask you about. Before you come to them, there is a statement that you made here and this is one of the things that we are really concerned with. You say on page 10 that "one by one, Canadian consumer magazines have tended to drop by the wayside due to the overflow circulation of American magazines." Would that not be a bit too sweeping, Mr. Chalmers?

MR. CHALMERS: I am afraid that that is. I stumbled over that when I came to it because I realized that what was in my mind when I wrote that really was the situation that prevailed prior to the entry into this country of the so-called Canadian editions. Since then, of course, we have had that additional factor which has had its impact on the situation; but, I do not think that taking this as a long term statement, and taking it as the primary reason for the demise of magazines prior to this last war -- I do not think that statement is at all exaggerated. I think it must be recognized that overflow

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## Chalmers

circulation is, perhaps, the greatest single force in preventing the development of the type of healthy and vigorous Canadian periodical press that we would all like to see established.

THE CHAIRMAN: Let us suppose a case. Let us suppose that over the past 20 years there had existed in this country a group of people with a magazine, a consumer magazine such as your own, reasonably well financed and with good editorial brains behind it and good financial management behind it. By that, I mean circulation and advertising. Do you think it would not have survived, with the overflow of American magazines? After all, a magazine in Canada, well financed, well managed and well edited would be dealing with things in Canada, something much closer to the hearts and minds of the Canadian people than the overflow from the United States.

Now, would the overflow have put that sort of a magazine out of business? I am not thinking of a fly by night. I am not thinking of what they did to Saturday Night, because they deserved to have happen to them what happened to them. But, a well managed magazine, such as your own, because I think, judging by some of the things we have seen, that yours is a well managed magazine -- you certainly have some good editorial brains behind you ... This worries





me. Are we going to attribute everything to Americans and make no allowance for bad management, or lack of financing?

MR. CHALMERS: There has been bad management in the publishing of magazines in Canada as in every field. I recognize that. I hope that everyone does not attribute some of the financial results of our magazine publishing, which are before Mr. Johnston there, to bad management on the part of the current president of the company. We have given the best possible management, the best management of which we were capable to our magazines. We have, as you suggest, made them as Canadian as possible, because when you get right down to it, this is all we have to sell; all we have to sell is Canadian coverage -- coverage of Canadian affairs and Canadian activities. We have done that. Our magazines have survived, but they have not survived profitably; and the reason other magazines have not survived is that there was no one to pay the bills. They could not survive profitably.

It has been most difficult for a Canadian magazine to survive at any time, not just during the past 15 years, although this has been a particularly difficult period -- but, at any time in the last 40 years and, in fact, very few have survived. I do not like to suggest that the



Canadian Magazine had bad management. Maybe they did. I do not like to suggest that they had exactly the same management that has built the Hugh C. Maclean Publications to becoming a very important and prosperous publishing house in this country -- the same management, but it did not survive.

THE CHAIRMAN: I sold my first article, and it was fiction -- I have written some fiction since then, but of a different kind -- I sold my first fictional article to the old Canadian Magazine. Now, as I grew up, anybody could see that the Canadian Magazine was not adepting itself to new conditions in Canada, a new tempo of living, new tastes, new prejudices, if you like. I remember it when Joe Rutledge was editing it and dear old Sir John Willison was writing a very interesting column in it. This was all right for old people, but it was not any good for the rising generation and, so, it went out of business; but, you did not do that. You adapted yourself to the new generation, new tastes, new ideas, new foolishness, perhaps, in some cases. But, you yourselves, you went on and you lived and the Canadian Magazine died. Isn't there a lot of that? Hasn't that happened in the United States? You recall the Liberty Digest died because it did not live. It did not realize the world it was publishing in. The old Life magazine died.



Even the American Mercury died; Menzies died. There were scores of them. Schribner's died. The Independent died. Why did they die? Surely it wasn't because of any overflow that killed them. There was no overflow at all. They died because they did not live in the world that had come about them.

MR. CHALMERS: Yes.

THE CHAIRMAN: I think that is true.

MR. CHALMERS: That is quite true. But, the difference between the United States and this, it seems to me, is that they died and Reader's Digest was born and Life was born and Look was born and other publications were born. All these Canadian magazines have died and what have been born? Nothing.

THE CHAIRMAN: Might that not be lack of Canadian enterprise and willingness to dare?

MR. CHALMERS: No. I do not accept that. I think there is plenty of enterprise in this country. If you are going to dare something, if you are to show that enterprise, you have to have a reasonable chance of success. Otherwise, it is not enterprise -- it is foolhardiness, and I think that under the conditions that have prevailed in Canada in the last 40 years -- I say 40 years because that is approximately my lifetime in the publishing business in this country --





I think starting a magazine, a new magazine of a national character has been foolhardy -- would have been foolhardy -- and I think the experience of most of the ones that have started demonstrates this.

You talk about enterprise, about getting out a Canadian magazine and all the rest of it. You have heard, Mr. Chairman, of the problems that the young man wanting to start a magazine has in getting it on the newsstands, getting any display on the newsstands.

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THE CHAIRMAN: Isn't there a difference between starting a new magazine and adapting an old one? You do not start something; you adapt to new conditions. I am trying to get at the idea of this claim that is made - I think without much qualification - that these magazines that have fallen by the wayside because of overflow was really something else. I have no doubt overflow contributed to it, but when you look at the other countries and you see other magazines that died and those that did not die, - just take the magazines such as English Contemporary Review; Nineteenth Century; and I could name a half-a-dozen others. Those that did not die really have two feet in the grave. They did not adapt themselves either. This is really what happened.

I think this overflow is a terrible thing and I am against it, but on the other hand I hate to see it put down as the sole reason for the situation that exists in Canada today with respect to magazines. I think there are some other things.

MR. CHALMERS: Mr. Chairman, I did not say it was the sole reason.

THE CHAIRMAN: No. I did not say you said it. I am saying it has been represented to us over and over again.

MR. CHALMERS: I said it was in my opinion - I will rephrase that slightly. I am saying the same thing. I want to make certain that I project the point I have in mind.



Of the competitive situation facing the Canadian magazines - of the foreign competitive situation facing the Canadian magazines the overflow factor is the largest and most important. I am convinced of this.

There are certain things that are demonstrably perhaps more unfair - if there is such a thing as degrees of fairness and unfairness - but quantitatively the overflow circulation, I would put it first and I would put the Time and Reader's Digest sort of situation second and finally I would put the split runs third.

They are all important factors but that is the order in which I would rank these competitive situations in their impact on Canadian magazines.

Then, the reverse order for unfairness, curiously enough.

THE CHAIRMAN: Yes, they are two different things.

MR. CHALMERS: Yes.

THE CHAIRMAN: But so far as the effect is concerned on the life and prosperity of Canadian magazines, you are saying that the overflow of, for example, Saturday Evening Post, Ladies' Home Journal or McCall's - the sheer overflow is more important than the competition of some magazine like Reader's Digest or Time.

MR. CHALMERS: Yes. I am saying that.

THE CHAIRMAN: More fair because they





they cannot help overflow. The other is a planned thing.

MR. CHALMERS: Well, Saturday Evening Post, other than its minor split run pages of which they have carried very few, they say - I don't recall the exact number. Saturday Evening Post is a tremendous factor in respect to circulation because of the various methods of sales and domination -- not domination -- but influence - substantial influence in the various methods of selling magazines in this country, single copies and subscriptions.

Reader's Digest, on the other hand, is selling circulation here. It is also selling advertising here but the Reader's Digest is a much more significant factor by itself in this situation than Saturday Evening Post is - but Saturday Evening Post multiplied by - I was going to say 400 but we must not multiply Saturday Evening Post by 400 - let us say by 50 to 100 - has in the aggregate much more substantial influence than Reader's Digest and Time put together; even though they do take \$8,000,000 out of the advertising pool and even though they do have between them 1,250,000 circulation in the country.

In the aggregate this tremendous pressure on the newsstands; the tremendous pressure on direct mailing activities; the tremendous pressure all through the field selling channels of the many American magazines constitutes the dominant ad



influence and we must recognise its importance.

COMMISSIONER JOHNSTON: Do you see any way of dealing with that problem?

MR. CHALMERS: Well, I have submitted to the Commission a series of comments on the various recommendations that have been made including some comments on that. These, I believe, have been released - published. I will be happy to enlarge upon or comment upon any of these comments.

COMMISSIONER JOHNSTON: We have been so impressed with your eloquence on the first part of your brief that we forgot all about the second part. That is 6B, Mr. Chairman.

THE CHAIRMAN: Do you want to read the 6B part of your recommendations. These are not private. These are not confidential recommendations.

MR. CHALMERS: No. I would be most happy to read those.

THE CHAIRMAN: Just a moment. What about your throat? Is your throat all right? Are you tired?

MR. CHALMERS: Not a bit. I think I can echo what was said this morning by Mr. Ballantyne.

THE CHAIRMAN: You are enjoying yourself. We will recess for five minutes in any event.

--- Short Recess

--- On resuming at 3.45 p.m.



MR. CHALMERS: Mr. Chairman, you have asked that I read the comments that Maclean-Hunter Publishing Company wishes to make on the various recommendations that have been put before the Commission. I should like to point out to you before I read these that the major commentary on the various recommendations have been put before the Commissioners to be made by the Periodical Press Association at a later stage in these proceedings.

Would you prefer that I wait until after they have put in their submission.

COMMISSIONER JOHNSTON: Is there duplication?

MR. CHALMERS: I am quite prepared to read this but it does not contribute too much to this question of solutions.

Now, is it your feeling perhaps that after the President of the Periodical Press Association has made his commentary on the recommendations and dealt with some of these various recommendations that have been made by different people and more sharply defined in the mind of the Commission that you would like my view or the Maclean-Hunter view on this because if so it would be better perhaps to defer that until a little later.

THE CHAIRMAN: Well, in effect this is unfinished business. Do you intend to deal with the Periodical Press's and their specific recommendations?





MR. CHALMERS: The first sentence says:

"We endorse the comments of the Periodical Press Association and the various recommendations that have been made during the hearing", but those comments are not officially before you. They are in your possession, of course.

If it is awkward and you want to ask questions on those -- perhaps it is not awkward --

COMMISSIONER JOHNSTON: It may save a little time if we deal with it later.

MR. CHALMERS: I think so.

THE CHAIRMAN: We will be able to deal with it a little more intelligently than we can now. I think we should postpone that.



COMMISSIONER JOHNSTON: I have one or two more questions. I was interested, very much interested in ~~the claim~~ Time made that they contributed to the whole of the Canadian magazine publishing business by taking \$400 millions, whatever it was, out of Canada. Perhaps that is not exactly expressing their position. I am afraid I have slanted it a bit. You say in your paragraph 28: "Live and let live in the field of periodical publishing is not merely an expression of a moral code. It is the expression of sound business policy. The growth of competitive houses in the business paper publishing has built up that field to something important and significant in Canada. It has one respect for all business papers" -- and so on -- "it has made advertisers and advertising agencies recognize such publications".

Now, is that not in a slightly different form exactly what Time has been arguing that they help the general magazines by being in the Canadian field?

MR. CHALMERS: Time has made that statement, and I know exactly what they have in mind. They feel that the existence of a truly Canadian magazine and large circulations plus Time and Reader's Digest combine to make what might be called a magazine advertising market in this country and that the existence of such a market and the joint

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efforts of the magazine and the individual promotional efforts of the various magazines supplement each other to help to build up a desire on the part of the advertisers to use magazines and make it comparatively simple for advertisers to use them with a reasonable economy and making efforts and all the rest. This is in essence their argument. The first point, the first question I would like to ask Time and Reader's Digest, if it is true that the magazines together can build up an advertising magazine market in Canada why both of these publications withdrew from the Magazine Advertising Bureau to which they were members and which was doing this very job. In 1957 they withdrew from the Bureau and went it alone. They refused to go along, to continue to go along with the truly Canadian magazines in the promotion of magazine advertising in Canada. However, I don't want to think that is the important point. I think the important point in respect of this is if there had been a climate in this country that would have permitted the development of the existing magazines, had permitted the preservation of some of those that have gone under, had permitted the launching of new magazines, Canadian magazines, you would have had a stronger advertising picture in the magazine field in this country without the necessity of relying upon two foreign publications.





COMMISSIONER JOHNSTON: I think that is a very good answer.

Now, on the matter of these figures I have in front of me I see that, as always, the cost of getting circulation is too high. I guess you will agree with that. I don't propose to go into figures. I am wondering if you wouldn't have a better financial picture if you had less circulation? Is there an effort, a constant effort to keep Maclean's above 500,000? Would you be better at 400,000?

MR. CHALMERS: That is a matter of judgment. Here you are in one of these intangible areas where the management of the company aided and assisted by the best advice they can get from their circulation department and advertising people have to make a decision. We made one decision in -- I have forgotten just when it was -- 1956 we made a decision to go 600,000 on Maclean's magazine. We were forced to go up. Our advertisers were saying you must have increasing circulation on this magazine. Why is it that your circulation isn't rising as rapidly as some other publications' circulation? We decided we would go to 600,000. Well, we found that a pretty costly procedure. I would prefer not to read these figures into the record. You have them in front of you. If you look at the year



1957, the costs, and that cost was more than we could bear. It was then we made the decision that so far as Maclean's magazine was concerned we would withdraw from what I called in an earlier submission "the numbers race". We set our circulation base at 515 to 520,000 so that on Maclean's magazine we had set a lower base. Should it be lower? That is a matter of opinion and judgment.

COMMISSIONER JOHNSTON: Do you recall what percentage of renewals you got on Maclean's magazine, just approximately?

MR. CHALMERS: I have a pretty good idea of what it is, but it is a question which no magazine publisher ever wishes to state publicly. There was one magazine associated with one of the groups here today which made such a statement. They were required by the Audit Bureau of Circulation to prove that statement and it cost them a small fortune. A magazine has the option on its A.B.C. returns of stating its renewal percentage or not stating it. The cost of getting that information is just fantastic, and so, we never made that statement to anyone but ourselves. We do in the case of the business papers, because circulation is so much smaller and it is possible to do it. I wouldn't make such a statement publicly. I don't know what the A.B.C. would ask from me tomorrow.



COMMISSIONER JOHNSTON: When you acquired the Canadian Home Journal you bought a list which is really all you bought. Did you charge that out in one year, two years ...

MR. CHALMERS: It was within one year.

COMMISSIONER JOHNSTON: It would make your figures for that year much worse than usual?

MR. CHALMERS: Curiously enough, you would think that would make our figures for that year much redder, but actually, it saved us a great deal of money. The cost of acquiring circulation that way, for the amount of money we paid for that list was infinitely less than the cost of acquiring a similar amount of circulation in any other way.

COMMISSIONER JOHNSTON: What did you do about duplication?

MR. CHALMERS: Oh, we extended that.

I have pointed out we got the unexpired portion of a large number of advertising contracts which were also of value to us and which in that year was responsible for a substantial increase in our revenue. This was a good -- financial -- the income tax collector made money out of the deal.

THE CHAIRMAN: Did you buy any of their advertising contracts as well?

MR. CHALMERS: I don't think --





THE CHAIRMAN: Unexpired?

MR. CHALMERS: We paid a certain capital sum which was charged as capital and which included a few things -- I don't know -- and the rest we bought their circulation list. The payment was divided in two.

THE CHAIRMAN: When you launched your first edition in Quebec what happened there? Is that charged to current earning, current operation or a capital expense, or what is it?

MR. CHALMERS: It is a current expense.

THE CHAIRMAN: A current expense?

MR. CHALMERS: I would be very happy to give you those figures for the year 1960. These being the gross figures before taxes, just to show the exact proportion of them. The expenses we incurred in Maclean, Chatelaine and Review Moderne in 1960 represented \$297,405. The losses, total losses in the magazine division for that year, 1960, were \$691,567. That makes the losses incurred other than these two French magazines about 60 per cent of the total, or to be exact, \$394,162. Those are the losses on the other three magazines.

London, 1875

My dear Sir,  
I have the honor to acknowledge the receipt of your letter of the 10th inst.

and in reply to inform you that

your letter has been forwarded to the proper authorities

for their consideration.

I am, Sir, very respectfully,  
Your obedient servant,

J. H. B. Esq.

10, Abchurch Lane, London, E.C.

I am, Sir, very respectfully,  
Your obedient servant,

J. H. B. Esq.

10, Abchurch Lane, London, E.C.

I am, Sir, very respectfully,  
Your obedient servant,

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THE CHAIRMAN: Well now, how was this charged up? Was this charged up to Maclean's magazine, or charged up to Maclean-Hunter, to all of your magazines?

MR. CHALMERS: Well, each of our publications has its own books and the profits and the losses of the Maclean-Hunter Publishing Company are the aggregate of all these figures, because our printing is done for them at cost. Our billing of accounts, book-keeping, purchasing and things of that character is done for them at cost. The adjustments, when you take all the profits, deduct from it all the losses on our various business decisions, business operations, which includes the magazine and business papers and commercial printing decision, the Canadian Press Clipping Services and a few things like that, and various books, and so on -- the difference between the aggregate of those figures and the final net profit figure that we come up with is not very great. There are certain deductions that have to be made. Any figures I give you are slightly exaggerated because we don't charge these publications, for example, with donations to hospitals and universities. We don't charge these publications with the loss which we suffer on the operation of an employees' garage and any losses that we might suffer in the operation of our new building. We charge the going rental rate for our building. This is a variation from our usual procedure of charging



them the exact cost of something. It would not be fair to charge them the exact cost because who would pay for the vacant space?

THE CHAIRMAN: If you were operating Maclean's only, which is a magazine, could you have risked those changes?

MR. CHALMERS: No.

THE CHAIRMAN: You could not have?

MR. CHALMERS: Good Heavens, no.

THE CHAIRMAN: So, this is made possible only because of the earnings of your other interests?

MR. CHALMERS: Yes. Well, the very survival of Maclean's magazine is made possible by the earnings of our other operations.

Do you want to know what the net result of Maclean's magazine was in 1960? This is the English Maclean's. There was a loss of \$192,659.

COMMISSIONER JOHNSTON: That is what bothers me quite a bit, Mr. Chalmers. You say that an enterprising young man, presumably with some capital, would be able to start a magazine on his own; but, Maclean's magazine has been, as I see it, subsidised in two ways - one, by other publications and the other, the printing division, which benefits indirectly from printing this big job twice a month - 26 times a year?

MR. CHALMERS: Quite indirectly.

COMMISSIONER JOHNSTON: Yes. But, I think Mr. Hunter said to us, in the first week of these





hearings, that the company would be worse off if it did not have Maclean's magazine to print.

MR. CHALMERS: Of course.

COMMISSIONER JOHNSTON: Well, where does that leave this enterprising and courageous young man who came before us in Toronto and said he was going to start a magazine? Is he going to find a complacent printer who does not expect his bills to be paid?

MR. CHALMERS: Some of them do. I was talking about the situation that I hoped will result from the recommendations to be made by this Commission and implemented by the Government of Canada.

For anybody to attempt to do that today would not be enterprise. If we use the expression we were using earlier, it would be foolhardiness. It can't be done practically.

THE CHAIRMAN: Would you hope that ten years after our recommendations along the lines you have indicated -- ten years later would you hope, with the natural growth of the country, that then some group in Canada could start a consumer magazine such as yours? How long is it going to take? It can't be done now, evidently, according to what you are telling us. There would be no possibility of expansion.

MR. CHALMERS: I would not know. I would suggest that, as I said earlier, the first stage of development will be for some of the existing

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publications which are struggling financially to get on a sounder basis and to expand, to grow into larger circulations, a wider area of service, a much more complete editorial staff, payment of larger sums to contributors, more advertising promotion. The next step will be for the newer publications to come in; but, I would not think that it would be ten years before the first significant new publication would come into the field. I do not think it would take ten years, but it would take more than ten years for any one of them to become -- well, no. It would take more than five years for them to become as important as Maclean's, in dollar terms. It would take them as many years as it has taken Maclean's, to become as important, in terms of public recognition.

THE CHAIRMAN: I am never going to see the hoped for results of our recommendations then?

MR. CHALMERS: You are going to see them within a year or two.

THE CHAIRMAN: Oh, within a year or two?

MR. CHALMERS: But, in a small way. But, you are not going to see another Maclean's put this Maclean's out of business or to give us vigorous competition within five years, I think.

COMMISSIONER JOHNSTON: Well, \$8,500,000 of advertising in 1959 went to Time and Reader's Digest. Supposing that they vanish from our sight -- nice people as they are -- who is going to get that \$8,500,000 -- the little up-and-coming magazine, or



is Maclean's going to get it all, or 90% of it?

MR. CHALMERS: Nobody is going to get it all. The daily newspapers are going to get some of it. Television is going to get some of it. Radio is going to get some of it. Direct mail campaigns are going to get some of it. I hope Maclean-Hunter gets some of it. There will **still** be some of it available for anybody with a good publication, a new publication. No one can say.

THE CHAIRMAN: A good advertising media will get its share?

MR. CHALMERS: Yes.

COMMISSIONER JOHNSTON: This publication of yours, Canadian Homes, was that at one time called Homes & Gardens?

MR. CHALMERS: It was at one time called Canadian Homes and Gardens. **This** was founded in 1924, I think it was, by Senator Rupert Davies. He published it for about a year. We bought it from him and we published it as Canadian Homes and Gardens until a year ago when the name was changed to Canadian Homes.

COMMISSIONER JOHNSTON: Did it ever make money? I had the impression, thirty years ago, that on a small circulation it made a little money, but I did not have access to the figures.

MR. CHALMERS: Yes. In the period from 1926 to 1930, it made \$11,000. In the decade from 1931 to 1940, it lost \$29,000. In the decade from





1941 to 1950, it lost \$87,500. In the decade ending December 31st, 1960...

COMMISSIONER JOHNSTON: It lost \$326,000; is that right?

MR. CHALMERS: No. It lost \$970,000.

THE CHAIRMAN: Canadian Homes -- and no one shot himself?

MR. CHALMERS: I don't know.

THE CHAIRMAN: Senator Rupert Davies seems to be reasonably well staked at the present time. He could not have lost anything?

MR. CHALMERS: We bought it from him in 1925 and made a little money on it - \$11,800.

COMMISSIONER JOHNSTON: I was wondering if some of these papers, even the slick papers like Canadian Homes -- would you be better off with a smaller circulation, or worse off? I don't know if that has anything to do with our terms of reference. You remember Mr. Howard Mitchell. He testified his paper costs him 78 cents a copy and he sells it for 25 cents, and the net to him was about 10 or 12 cents. This must be an expensive paper to produce, mechanically?

MR. CHALMERS: You see, I get back to the answer I gave to a very similar question earlier. It is a question of publishing judgment. Our judgment may be bad in these things, but it is the best judgment we can arrive at. In any magazine or similar publishing operation, you have a certain level of circulation, with a certain advertising rate and you



estimate what you get with that and then you take another level and perhaps a third level. It is the optimum circulation, the one that should theoretically produce you the best profit. We have had that magazine at practically every level. Its circulation at the end of the last war was, I think, in the range of 8 to 9,000 and there were six copies a year produced. We only produced six copies. Then, we had to make up our minds: Are we going to make this magazine a magazine with a very, very limited appeal, dealing with houses in the range of \$50,000, \$100,000; the most expensive imported antique furniture; gardens that are laid out by highly professional landscape architects; or are we going to have a much more popular appeal and serve a vast number of people, the home owners of the country in the development of their homes, the processing of their homes, the laying out of their small gardens, and so on? Well, we made the decision that this magazine was going to serve the wider public.



If you asked me whether today we would be making money on that magazine if we had maintained a circulation in the range of 8,000 or 15,000 or something like that, I could not tell you. I don't know. Just for the record I will give you the circulation of that magazine in 1942, 9,494. I think I said 8,000.

We are constantly in the magazine being forced willy-nilly into the larger circulation areas. Maybe we should not allow ourselves to be forced, but as a matter of business judgment that is what we have done.

It does not follow, mind you, that large circulations mean large losses. That is not the case of Chatelaine. Chatelaine and Canadian Home Journal were in very keen and vigorous competition against each other and both publications were losing quite considerable sums of money.

It became obvious to Mr. Jack Kent Cooke, the owner of Canadian Home Journal, and to ourselves, as owners of Chatelaine, that there was room for one publication only in that field so the question was "Would Jack Kent Cooke buy Chatelaine" or "Would we buy Canadian Home Journal".

I think we were the more serious in the matter and we bought Canadian Home Journal and this magazine is a profitable magazine today and it has





quite a substantial circulation, up in the range of 755,000 plus and it is making money for us.

THE CHAIRMAN: Mr. Chalmers, are you returning here tomorrow? You are staying overnight?

MR. CHALMERS: Yes sir.

THE CHAIRMAN: I think we had perhaps better organize these hearings here. I see the Periodical Press is here. How would you like to comment on the recommendations of the Periodical Press?

MR. CHALMERS: No. I say I have made my comments.

THE CHAIRMAN: We would like to have your comments after we have heard from the Periodical Press Association tomorrow. Is that satisfactory?

MR. CHALMERS: I don't think you are going to hear the Periodical Press tomorrow because of your schedule.

THE CHAIRMAN: Where are they? Are they not here? We can upset that. We just turn this around. I would say we should hear the Periodical Press tomorrow morning.

MR. CHALMERS: I will wait over until Saturday, but just to carry on with this thing does allow me to follow the Periodical Press.

THE CHAIRMAN: That is what I am saying.



We will have the Periodical Press. Then we will hear you tomorrow.

MR. CHALMERS: Why do you not carry on with your program as it is? I will wait over until you come to them.

THE CHAIRMAN: Will you permit me to run our program as we please.

We will hear the Periodical Press first tomorrow morning and then we will hear Mr. Chalmers and I am sure that Mr. Zimmerman and Mr. O'Brien are going to say something after what they have heard here this morning; if they wish to come on next because I do not think they should be last and Mr. Zimmerman and Mr. O'Brien are for Reader's Digest.

We have the Graphic Arts and we have the Business Newspapers here who are apparently rebutting somebody else -- and apparently they are rebutting the Commission. I don't know. I think we will start with the Periodical Press in the morning and then we will hear you.

MR. CHALMERS: May I suggest -- this may be presumptuous -- may I suggest that the Periodical Press which speaks by and large for the magazines of Canada should have the last word.

THE CHAIRMAN: We will take that into consideration.



MR. CHALMERS: Yes. They were the first to appear and it is usual in these proceedings to have them in order.

THE CHAIRMAN: In Royal Commissions? This is the first one of which I know. I do not know how it is usual.

I am going to insist on this. I think we should hear from the Periodical Press and then hear from Mr. Chalmers.

You see, after all, we had Time here first yesterday and they have got an awful going over since. They are not coming back. They are finished, as I understand it.

We have got to finish this some time and if we are going to wait until everybody has the last word we are going to be here until the snow flies next year again.

COMMISSIONER JOHNSTON: Mr. Chairman, I have one slight correction for the record. May I make it now?

THE CHAIRMAN: Yes.

COMMISSIONER JOHNSTON: I said earlier this afternoon I thought Time had started this four-page or three or four-page addition in the Fall of 1960. Mr. Laybourne informs me it was in 1956. I thought that this Commission might take the credit for the news and I find I was wrong.





THE CHAIRMAN: There is a gentleman here from the United States. Are you present, sir?

MR. DWORKIN: Yes.

THE CHAIRMAN: You have been here for the last two days, have you?

MR. DWORKIN: No. I arrived at the noon hour.

THE CHAIRMAN: You want to get back to New York?

MR. DWORKIN: Well, I have a reservation for tomorrow.

THE CHAIRMAN: We will hear you in the morning then. After hearing you, we will still hear from the Periodical Press Association. I am going to be stubborn about this -- and then we will hear from Mr. Chalmers. Then we will hear Mr. Zimmerman and Mr. O'Brien.

We will adjourn now until tomorrow morning at 10.30 a.m.

---Whereupon the Commission hearings adjourned until Thursday, the 19th day of January, 1961 at the hour of 10.30 a.m.

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SUBMISSION OF  
THE CANADIAN KENNEL CLUB

The Canadian Kennel Club is an association incorporated under the Live Stock Pedigree Act, 1949, with exclusive powers in Canada for the registration of pure bred dogs. It also supervises Dog Shows, Field Trials and Obedience Trials and carries on other activities in connection with pure bred dogs in Canada.

For many years it published an official journal for its members, for other subscribers and for news stand sales, but in 1955 it transferred this part of its work to Apex Publishers and Publicity Limited in which The Canadian Kennel Club is a substantial but not a majority shareholder.

Apex Publishers and Publicity Limited publishes "Dogs in Canada". A copy of the Christmas issue 1960 of "Dogs in Canada" as distributed to members of the Canadian Kennel Club is attached, as schedule 1, to this submission. The masthead makes it clear that the magazine is the official organ of The Canadian Kennel Club. For this reason a special insert in buff paper includes Minutes of Directors Meetings, notices, announcements, and other material of particular interest to club members.



A copy of the Christmas issue 1960 which is sent to subscribers other than members and which is otherwise sold on the news stands is in the form of schedule 2 to this submission.

The Post Office Department regard the buff pages as an unauthorized enclosure and charge postage at the third class rate. Magazines published in the U.S.A. and including an insertion for a Canadian edition, are not treated in the same way because as all copies circulated in Canada are the Canadian issue, there is no unauthorized enclosure so far as Canada is concerned.

The net result is that a Canadian journal, such as "Dogs in Canada" devoted to the preservation and improvement of Canadian pure bred stock pays a substantially higher rate of postage than American magazines made up in the same way, and not connected in any direct way with any Canadian national purpose.

It is respectfully submitted that the Commission might consider legislation or regulations which would permit magazines such as "Dogs in Canada" to enjoy second class postal rates and to stand at least on an equality with the American journals made up physically in much the same way.

This matter has already been raised. There are attached hereto the following items of correspondence with regard to the matter as schedules.





Schedule 3: Copy of letter dated June 29, 1959, from Mr. N.J. Moran, Postmaster of Oshawa to Miss E. Dunn, Apex Publishers and Publicity Limited.

Schedule 4: Copy of letter dated December 31, 1959, from the Secretary-Treasurer of The Canadian Kennel Club to C.J. Laurin as Chairman of the Legislative Committee of the Periodical Press Association.

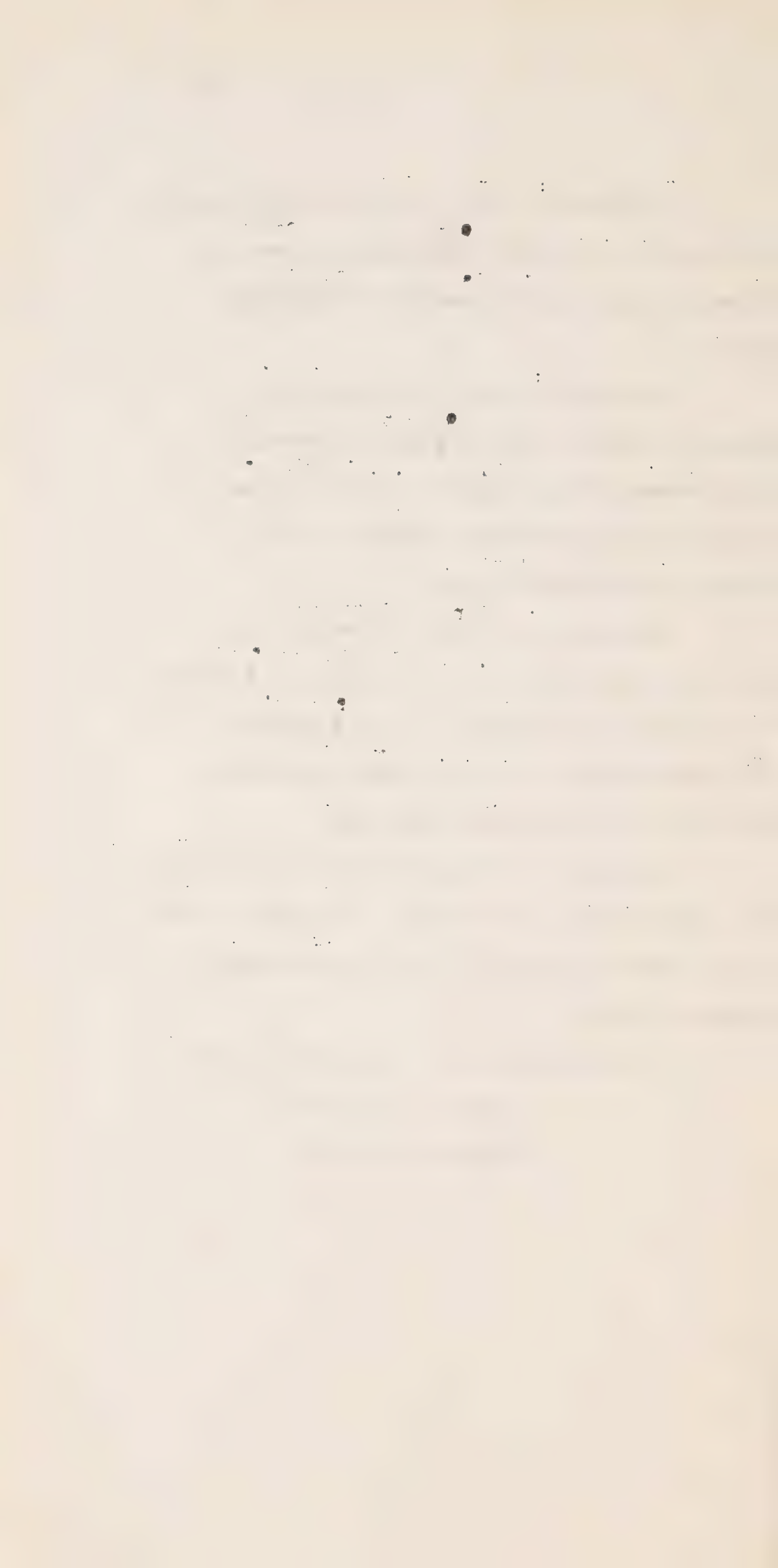
Schedule 5: Copy of letter dated January 28, 1960, from Mr. C.J. Laurin, as Chairman of the Legislative Committee of the Periodical Press Association to Mr. M.F. Brown, Secretary-Treasurer of The Canadian Kennel Club.

Schedule 6: Copy of letter dated January 5, 1960, from Mr. W. H. MacKendrick, a Director of the Canadian Kennel Club to Mr. G.A. Boyles, Deputy Postmaster General.

By direction of the Board of Directors.

(Sgd) M. F. Brown,

Secretary-Treasurer.



1. 253

SUBMISSION OF  
THE PROFESSIONAL INSTITUTE OF THE PUBLIC  
SERVICE OF CANADA

We have the honour to submit the following views on the above subject for consideration at this time.

While Order in Council PC 1960-1270 does not expressly state on the one hand that publications in technology and the industrial arts should come within the scope of this inquiry, it does not, on the other hand, state that they are to be excluded. We feel therefore that some thought should be given to this subject in order that any legislative action which may be recommended in regard to U.S. publications as a whole will not prejudicially affect the informational needs of the Canadian industrial reader.

Viewpoint and Professional Background: The Professional Institute of the Public Service of Canada is an organization of Scientific and Professional employees in the Federal Public Service. It comprises 6,000 members and includes all professional categories.

The Institute was founded forty years ago and concerns itself with matters related to improving professional standards of service and career opportunities of its members.

Based on reports appearing in the press, it is understood that consideration is presently



being given to the need for strengthening Canadian industry, particularly our secondary industries.

Irrespective of what form any assistance may take, one of the basic requirements will be up-to-date and detailed information about technological developments, particularly in the United States.

Nowhere is there a more efficient media for providing this information than the great number of periodicals published there, and usually available to Canadian readers at prices comparable to those in the U.S.

Attached is an index giving a list of U.S. and Canadian publications generally covering the industrial fields as taken from the 1958 Directory number of Industrial Marketing, published by Advertising Publications Inc., Chicago, Illinois. No claim is made that this index lists all such publications but it gives a fair idea of what is available to the Canadian reader.

Based on a population ratio of 10 to 1, it would seem that Canada is not too far behind in regard to numbers of these publications. However, those who have had occasion to assess the quality of what is published in Canada and the United States will confirm that there is sometimes very little meat in the former of an original nature; in many cases Canadian periodicals duplicate what has already been published, often with a bias towards U.S.





products and equipment. It is evident, also, that many U.S. periodicals cover fields not covered by any Canadian periodical.

For the foregoing reasons a progressive manufacturer in Canada is more likely to subscribe to U.S. periodicals, in order to keep in touch with industrial developments. This means, in turn, that our Canadian publishers can find only a limited market for what they have to sell and thus cannot afford to pay a contributor enough for an article or report to reimburse him adequately for a worthwhile contributions. The existence of mediocre periodicals, moreover, in certain fields is a deterrent to many an author who has worthwhile material to contribute. In other words there is both a quantity and quality factor adversely affecting the health of any Canadian enterprise in these fields.

Conclusions: We believe the foregoing comments are more or less an accurate appraisal of the present situation but can offer no solution to the problem. We feel, however, that it would be contrary to the interest generally of Canadian industry to adopt any legislation at this time tending to discourage the availability of American periodicals in the scientific and industrial fields. At the same time some means should be found



to raise the quality of Canadian technical periodicals and, if possible, make them more truly Canadian than they are at present.

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SUBMISSION OF PUBLISHERS' INSTITUTE,  
WINNIPEG, MANITOBA, CANADA

J.E. Golightly:

Gentlemen: Our firm has maintained a field selling organization in Canada for the past twenty years securing circulation for Canadian and American publications, therefore being interested in the well being of Canadian, as well as American magazines, I have followed with interest briefs being presented to the Royal Commission on publications. Several representatives of Canadian publishers have, in their briefs, suggested that restrictions should be placed on American publications coming into Canada, such as a tax on subscriptions or placing a limit on Canadian circulation of American magazines to extent where they could not distribute more than five percent of their domestic circulation in Canada etc.

In my humble opinion it is apparent that the motive behind these suggestions is to try and eliminate so called competition from American magazines in order that a few Canadian publishers may show a more substantial profit on their financial statements, with no thought being given by them to the effect such restrictions would have on the general public, who would, if American magazines were forced to raise their yearly subscription rates and single copy prices to cover any tax imposed, be placed in a position where the increased price would make buying the usual number of publications prohibitive





for a high percentage of our Canadian population. A situation of this kind would have an adverse effect on Canadian magazines as if subscribers were forced to pay substantially more for American magazines, which they had enjoyed for years, they could quite possibly drop a Canadian magazine to keep within their reading material budget.

From first hand knowledge gained by having direct contact with subscribers over the years I cannot go along with the idea that American publications are having an adverse effect on the circulation of Canadian magazines. Circulation of Macleans, Chatelaine and one or two other Canadian magazines has doubled and tripled during the past fifteen or twenty years and yet during the '30's, when a tax was imposed on subscriptions to American magazines coming into Canada and their circulation in this country was at a low ebb, our Canadian magazines, for several years during that period, showed no substantial gain in circulation.

Our firm sells a combination of four or five magazines on a monthly time payment arrangement. A list of forty publications, including all the popular Canadian and American magazines is shown to subscriber with no influence being used by salesmen to help customers decide as to which magazines they will select, therefore their choice is entirely voluntary and on practically one hundred percent of our contracts sold two Canadian magazines are included along with



two or three American publications.

Canadians are reading more magazines than ever before despite television and other interest. We have found that the average Canadian family has four to six magazines coming to their home.

There are no Canadian publications similar to Look, Life, Saturday Evening Post, Readers Digest, Newsweek etc., in fact only with the very odd exception is there an American magazine with substantial circulation in this country that has a Canadian counterpart, therefore any restrictions put on the free flow of American publications into Canada would actually be depriving a very high percentage of our population of enjoying the type of reading they want.

I personally cannot see where publications can be compared to manufactured items such as machinery **that** may enjoy a protective tariff as in the case of a machine manufactured in Canada it will be identical in every way, shape and form as a similar machine manufactured in the United States. This, of course, is not the case with publications because, as previously mentioned there is only the very isolated case where a Canadian magazine contains a similar editorial content to that of an American publication.

While we are not in a position to enter into a discussion on financial standing of a number of Canadian publishers we do know from figures available to us that in most cases very substantial gains in advertising revenue have been enjoyed this **past** ten years by publishers of our leading Canadian magazines



and they are on a whole in a much better financial position today than the American magazines.

We would question statements made by Mr. Strock in presenting the Stovel Advocate Publications' brief to the Royal Commission on Publications at Winnipeg on November 25, 1960. We particularly wish to comment on Mr. Strock's contention that competition from Readers Digest and Time, and the fact that there were no restrictions on American magazines building up Canadian circulation, contributed to a great extent to the demise of National Home Monthly.

Our firm was closely associated with National Home Monthly and for the ten year period prior to 1950, when it ceased publication, we secured an average of fifty thousand subscriptions yearly for this publication. Mr. Strock stated that in the years prior to 1946 and part of 1947 this magazine showed a substantial profit from its operations which is quite correct, however no mention was made of the fact that the original owners and publishers of National Home Monthly sold out their company to a new company controlled by E.P. Taylor in 1947 and that from the date the new owners took over no further profit was realized.

When the National Home Monthly changed ownership the new owners immediately dispensed with the former management staff, who had years of experience in the publishing business and were considered top executives in this field. They were replaced by





men of various professions, who had been employed by other firms controlled by the new owners. None of these men had even the slightest knowledge of the publishing industry and it is our opinion, as well as that of most men in the publishing industry that were familiar with the National Home Monthly that mismanagement was the one and only cause of this magazine going out of business. The same corporation that failed to operate National Home Monthly on a profitable basis ventured into the publishing business several years prior to the time they purchased Stovel-Advocate Press and with the same result, the magazine they were publishing "NEW WORLD" went out of business.

We feel that any Canadian publication that is not operating on a successful basis today should take a close look at their method of operation and perhaps secure the services of more experience and aggressive executives to head up their company.

I personally found distasteful the suggestion made in some briefs that the free flow of ideas by Canadians for Canadians would diminish if American publications continued to be read by a high percentage of our population. I am confident that the average Canadian has ample intelligence so that he is quite capable of forming his own opinion of matters pertaining to his way of life and will not be brain washed or Americanized by editorial content of American magazines.



I sincerely believe that the free flow of American and other foreign publications into Canada is in a large way responsible for the average Canadian having a very excellent knowledge of foreign affairs.

Respectfully submitted.

J.E. Golightly.



ROYAL COMMISSION ON

# Publications

## HEARINGS

HELD AT  
OTTAWA

VOLUME No.:

31

DATE:

JAN 19 1961

OFFICIAL REPORTERS

ANGUS, STONEHOUSE & CO. LTD.

372 BAY STREET  
TORONTO

EM. 4-7383

EM. 4-5865





ROYAL COMMISSION ON PUBLICATIONS

Rebuttal and argument before the  
Royal Commission on Publications  
held in the Parliament Buildings  
Ottawa, Ontario, at 10.30 a.m.  
Thursday, January 19th, 1961.

COMMISSION:

M. GRATTAN O'LEARY	Chairman
J. GEORGE JOHNSTON	Member
CLAUDE P. BEAUBIEN	Member

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P. MICHAEL PITFIELD	Secretary
G. H. QUINN	Administrative Officer

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## INDEX TO WITNESSES AND EXHIBITS

### APPEARANCES:

	<u>Page</u>
Macfadden Publications Ltd. Mr. M. Dworkin	2 - 11
Periodical Press Association Mr. C. J. Laurin	11 - 60 88 - 99 100 - 103
Maclean Hunter Publishing Co. Mr. F. S. Chalmers	61 - 99
Rebuttal of Reader's Digest Mr. J. L. O'Brien Mr. E. P. Zimmerman	103 - 203

### E X H I B I T S

No. 0-138	Maclean Hunter Rebuttal	29
0-139	Publishers Institute Brief	29
0-140	Professional Institute of Public Service	29
0-141	Realm News Service Recommendation	29
0-142	Canadian Kennel Club Brief	29
0-143	N.B.A. Rebuttal	71
0-144	Professional Engineers Brief	71
0-145	Professional Engineers Brief (Graduation List)	71
0-146	Macfadden Publications Brief	71
0-147	Macfadden Publications Copy of Foreign Edition	71
0-148	P.P.A. Rebuttal and Recommendations	71

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---Upon resuming at 10.30 a.m.

MR. QUINN: Would you identify yourself for the record, please.

MR. DWORKIN: I don't know your procedure. I am unfamiliar with it.

THE CHAIRMAN: Just give us your name!

MR. DWORKIN: My name is Meyer Dworkin. I am secretary-treasurer of Macfadden Publications Corporation in New York.

THE CHAIRMAN: Thank you, sir, you may proceed. Do you wish to read your brief?

MR. DWORKIN: May I, sir?

THE CHAIRMAN: Yes, indeed.

SUBMISSION OF  
MACFADDEN PUBLICATIONS, INC.

MR. SWORKIN: My name is Meyer Dworkin. I am secretary-treasurer of Macfadden Publications, Inc., a New York corporation. I am submitting this memorandum on behalf of my company to present data relating to its business in Canada. I trust the information will be of help in your inquiry.

Macfadden Publications, Inc. was organized in 1924. Its predecessor public corporate name was Physical Culture Publishing Company, organized in 1898. We have approximately 2,600 stockholders scattered throughout the world, including 52 in Canada holding 1991 shares. Our shares are listed



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MR. DELBERT: I don't know your good name.

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THE CHAIRMAN: Just give us your name.

MR. DELBERT: My name is J. D. Dworkin.

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THE CHAIRMAN: Thank you, very much.

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MR. DELBERT: I don't know your good name.

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on the American Stock Exchange.

Macfadden Publications presently has no Canadian editions nor do we have any split runs in Canada, may I add, nor do we encourage any. Magazines published by Macfadden in 1960 and average monthly number of copies sold in Canada are as follows:

<u>TRUE STORY WOMEN'S GROUP</u>	<u>AVERAGE MONTHLY SALES IN CANADA INCLUDING SUBSCRIPTIONS</u>
True Story	204,000
Photoplay	92,000
TV Radio Mirror	13,000
True Romance	43,000
True Experience	29,000
True Love	<u>27,000</u>
Total for this particular group	408,000

Represents 7.6 per cent of Total Monthly circulation.

We also have what we call the Sport-Saga Men's Group:

Sport	34,000
Saga	25,000
<del>Climax</del>	19,000
True Detective	32,000
Master Detective	<u>18,000</u>
Total	128,000

Represents 8.2 per cent of Total Monthly Circulation.

The combined total average monthly subscription for the two groups scheduled herein and include above, is 174,000 per month, having



an average life of twenty months.

Our activities in Canada contribute to the Canadian economy on an annual basis as follows:

Commissions earned by Canadian wholesalers	\$ 253,000
Profits earned by 10,000 re-tailers	357,000
Earned by magazine subscription agencies, managers and solicitors	185,000
Expenses incurred in Canadian postage and railways	101,000
Salaries of Canadian representatives living and travelling in Canada	38,000
Purchase of paper for our magazines from Canadian mills	<u>135,000</u>
Total	\$ 1,069,000

In submitting pertinent facts of our Canadian operations within the scope of the terms of reference, we feel it is unnecessary to point up to the Royal Commission on Publications the importance of Canadian and United States co-operation in developing the culture and economic welfare of our respective sovereign countries. We are confident that you are well aware of the urgent necessity of maintaining hemispheric solidarity and sound economic solvency in this disturbed world in which we live today.

Macfadden Publications launched the printing of the Canadian edition of Liberty magazine in 1931. May I add I am principally

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responsible for the development in the early days of the Canadian Liberty, in conjunction with another gentleman, Wilbert Philpott, who is well known in Canada. We worked very hard to maintain Liberty as a Canadian magazine, under a Canadian charter and, at one time, also printed a Canadian edition of True Story magazine. The latter operation was abandoned in 1951. Canadian Liberty was a successful venture. However, due to certain internal problems we relinquished of Canadian Liberty in 1942.

Macfadden Publications has granted to foreign publishers on a royalty basis licenses to publish some of our magazines in Great Britain, Australia, Sweden, France, Italy, Holland, Switzerland, Mexico and, up to recently, in Japan and Argentina.

Gentlemen, I am submitting here copies of the magazines published in the foreign countries.

Canada and the United States have made valuable reciprocal contributions to each other's culture and heritage. The officers and directors of Macfadden Publications are, indeed, conscious of Canada as a respected friendly sovereign neighbour country. The fact that our economic interests are so intertwined must be laid at the door of our common border and to so many other God-given advantages shares by the citizens of both countries.





In conclusion, we submit that if the Canadian publishers have an economic problem traceable to the sale in Canada of United States based magazines, Macfadden Publications is prepared to join other United States publishers to work earnestly with Canadian publishers to reach an equitable solution of such problems. Our representatives will be glad to meet with other publishing representatives from the United States and Canada upon reasonable notice.

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MR. DWORKIN: I should like to also add this, if I may - that from 1931, in the establishment of the Canadian Liberty, as well as the publication of True Story in Canada, Macraadden Publications, or the Canadian companies rather have paid taxes in Canada totalling \$258,000 and an Ontario tax of \$15,515 - a total tax of \$279,000, and a dividend tax of \$5,331.

Gentlemen, I have read a great deal of the minutes of the representatives that have come here. I, having Canada earnestly at heart, feel that we have a great deal in common. It is not that American magazines have a monopoly on editorial policy or business acumen. I am sure that in Canada there must be many young men, and many older men who have sufficient interest in publishing as a profession, publishing really from the heart. They want to deliver a message. They want to do something. If they go into it purely as an economic thing, purely to make money, they may fail. Publishing is a profession. Publishing is something in which you want to deliver a message; you have something you want to give. A great editor is the best circulation manager that any publishing company could have and that, combined with a good administrative staff, can make for good publishing.

I have felt, for many years, in launching Liberty magazine in conjunction with my previous associate, Mr. Philpott, that even as many as 25-30 years ago, Canada was starving for a real, real good

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Canadian national magazine that would give the Canadian viewpoint.

Canada should have its own publications, but there is no reason why in having its own publications it should not have other magazines -- no reason for it. Let the public buy what it wants. The editorial concept must be born in the heart; it must be born with the impulse and desire to do a public good. A publisher who goes into business purely to make money, sooner or later he is going to find himself failing. It is not that. Publishing must be a profession.

Today, we are suffering in the United States, just as you are suffering up here, with the economic conditions, especially in the publishing business - the magazine publishing business. I have been in this business for over 40 years. I know, in the early days when Mr. Macfadden started True Story, it was an innovation in publishing. It took a couple of years to take hold, but it did. It started a great new trend and up to around 1933 we did marvelously well, exceptionally well. We started a new type of thinking - publishing to the people and to the small people, to people all over. What happened after that? It was after Macfadden started publishing to the people that you had magazines develop which are great magazines today. They are the great magazines today and really dominate the influence of public opinion -- magazines like Life, Curtis, Look,



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Reader's Digest. I could go on and name many of them. They are magazines that have kept up with the times. The magazines that have not published to the public, to the people, have failed.

I heard the Chairman yesterday mention a number of them. I was a newsboy and I could mention many, many more of the type of magazines that I handled, like Everybodys', Life, Judge and Literary Digest, Peoples' Home Journal, Women's World, and many many others that have failed - Buttericks and the Pictorial Review. Then, look what happened to The American and the great magazine like Colliers. There were basic economic reasons behind the failures of those magazines. They pushed too hard. They pushed too hard. They tried to develop too fast and the race for circulation was such that it finally killed them. Then, Look magazine took it over and Look is doing very well. But, today you have the rat race. I hate to term it that, but it is really a rat race for circulation. You have to get the last, last copy. The consuming world is paying for that today by the increasing of advertising rates to offset the cost of maintaining subscriptions.

I know my colleagues at home would probably shoot me at sunrise for bringing these matters up, but it is a fact and I am glad to have the opportunity in open forum to state so. You have the bigness today of publishing and what is it doing? Life comes out with 7,000,000; McCall's, 6½ million and all the way

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down the line. Reader's Digest has 12,000,000, regardless of the cost of managing and subscriptions - regardless of the cost to the advertiser and the consumer. Today you have a narrowing of the advertising budgets. Why? Because there just isn't enough money to go around. When radio started in the early 1920's, what happened then? Magazines suffered for a while and then came back. When television started, magazines lost a lot of advertising because there was a new media. You can't blame them. But, today, the economic race, the competition is so fierce. Costs are going up. Publishing today is a marginal business as it is conducted today. Whether in Canada or the United States, it is definitely a marginal business. The publishing industry in the United States, this year, 1960, I doubt whether it will earn over an average of 1 or  $1\frac{1}{2}\%$ . I would not be surprised that the same is true in Canada. There is no reason why we cannot develop in Canada good talent, talent with a message, talent with a desire to serve the public. The publisher has a public trust that is given to him. He must carry out that trust, not only for the dollars involved to become the biggest and the mostest, but to perform a public service, and I talk from my heart. Gentlemen, I thank you.

THE CHAIRMAN: Mr. Dworkin, the thought I would like you to take back to your country is this: Your President-Elect, Mr. John Fitzgerald



Kennedy, in an address which he gave in this country two years ago, quoted your poet, Mr. Robert Frost, as saying that "good fences make good neighbours." We are investigating our periodical fence to that end only and we thank you, sir, for what you have written to us and what you have said to us, which will get full consideration, and we hope you have a good journey home. Thank you.

MR. DWORKIN: May I ask for the privilege of remaining here, as I enjoy listening to what is going on?

THE CHAIRMAN: We would be glad to have you, sir.

MR. QUINN: Would you identify yourself for the record, sir?

REBUTTAL SUBMISSION BY THE  
PERIODICAL PRESS ASSOCIATION

Appearance: C.J. Laurin.

MR. LAURIN: My name is C.J. Laurin. I am president of the Periodical Press Association. Mr. Chairman, this is a rebuttal submission from the Periodical Press.

While every submission opposing action on behalf of Canadian periodicals offers much material for rebuttal, it is felt that the need for detailed comment has constantly diminished as fresh evidence has emerged to clarify the overall situation.

There are some basic points, however, which are important enough to merit additional



Dear Mr. [Name],

I am very pleased to hear from you.

I have been thinking about you and your work lately.

I hope you are well and happy.

Yours truly,

[Signature]

[Name]

[Address]

[City]

[State]

[Zip]

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[Email Address]

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explanation and emphasis. Various witnesses have contended:

- (a) That Canadian magazines are healthy, flourishing and developing rapidly.
- (b) That the "Canada editions" of Reader's Digest and Time have contributed to, rather than detracted from the success of Canadian magazines.
- (c) That a main requirement for Canadian periodicals is better management and better editorial content.
- (d) That overflow circulation is not damaging to Canadian periodicals.
- (e) That the main competition to be faced by Canadian magazines is T.V. and weekend media, not foreign magazines.
- (f) That Canadian magazines need help but there is a danger that such help will interfere with the free flow of information.

We will comment upon each of these contentions separately.

Contention (a) - "CANADIAN PERIODICALS ARE HEALTHY, FLOURISHING, AND DEVELOPING RAPIDLY"

English language Canadian magazines published by commercial publishers, available to the general public, and of substantial circulation, now number 5. They are:-

Canadian Homes



Chatelaine

Liberty

Maclean's Magazine

Saturday Night

and in French

Chatelaine-La Revue Moderne

La Revue Populaire

Le Samedi

(Canadian Advertising lists 128 other Canadian magazines most of which are published by associations, societies, or under religious auspices, or serve limited, vertical fields of interest. Some of the magazines could and, if given a chance will, I think, serve wider audiences).

The Commissioners having had the appropriate people from these publications before them as witnesses, and having available the report of the Commission's financial advisor on each of the firms involved, will be in a position to judge whether these magazines are flourishing.

It is interesting to note that "Canada edition" witnesses have incorporated weekend publications with magazines when producing figures purporting to show how successful Canadian magazines are today. The completely abnormal growth of one paper, Weekend magazine, using what is in effect controlled circulation to gain mass coverage rapidly and at low cost, has been used directly and indirectly, to show that our Canadian magazines are prospering.



The trend in Canadian magazine advertising revenue, in relation to other media, tells the true story. Magazines in Canada have traditionally obtained about 7% of the print media advertising dollar. Even when T.V. entered the picture, this remained constant. When Weekend developed its circulation with daily newspapers, and pushed its advertising revenue up 219% in 8 years, the 7% still came to magazines.

But when Time and Reader's Digest developed advertising sales in Canada, the 7% was not increased. Instead, it was shared between them and the Canadian magazines. The percentage of print media advertising dollars placed in Canadian magazines went down to 4.3% in 1959, while Time and Reader's Digest between them accounted for 2.8%. When this situation is viewed against rising competition from overflow circulation (the number of overflow copies has increased 93% since 1948) and the advent of split-runs, Canadian sections, etc., the Canadian magazine business can hardly be said to be in a boom period.

Contention (b) - "CANADA EDITIONS' OF  
READER'S DIGEST AND TIME HAVE CONTRIBUTED TO, RATHER  
THAN DETRACTED FROM, THE SUCCESS OF CANADIAN MAGAZINES"

"Canada editions" have claimed that the attention they focus on magazine advertising benefits the field as a whole. The fact is that the magazine (including Time and Reader's Digest) share of advertising dollars spent in print media dropped from 7.4%





in 1948 to 7.1% in 1959, during which period Time and Reader's Digest share of these dollars rose from 18.1% to 41%, and to 43% in 1960.

If "Canada editions" attracted more advertising to Canadian magazines, why is it that the percentage of print media advertising dollars spent in purely Canadian magazines dropped from 7% in 1945 to 4.3% in 1959, as stated.

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We cannot help but wonder if the attention of the advertiser might not have been just as well attracted to magazines if Saturday Night had remained as a weekly magazine, if National Home Monthly, New World, Mayfair and Canadian Home Journal had survived, and if perhaps The Montrealer had become a national magazine parallelling the New Yorker. And surely it might have been not too much to expect a few new Canadian magazines to have been started during this period of Canada's greatest economic growth.

We feel that if most of the then existing Canadian magazines had survived, not only would attention have been attracted to the magazine field to the same degree as by the foreign encroachment that took place, but that the contribution to the Canadian economy -- which is made so much of by Reader's Digest in their brief -- would at least have been equal and probably very much increased. Certainly far more Canadian creative talent would have been employed.

Obviously, we can't be entirely sure of what would have happened if Reader's Digest and Time had not encroached on the Canadian advertising dollar. But we do know what did happen when they moved into Canada. After the years of heavy competition from overflow circulation, this additional competitive pressure was such that hardly any

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Canadian magazines have the assurance of survival that comes from making a profit.

Time indicates (page 18 of Time's submission) in support of its contribution to the Canadian magazine field that the Federal Excise Tax on advertising in Canadian editions was injurious to the growth of magazine advertising. In other words, hurting Time hurt everybody. They point to a 1.7 per cent decrease --

COMMISSIONER JOHNSTON: Pardon me Mr. Laurin --

MR. LAURIN: It is 1.7. There is a correction there.

COMMISSIONER JOHNSTON: Instead of .4?

MR. LAURIN: Yes. I changed the wording of that.

They point to a 1.7 per cent decrease in the total revenues of magazines in Canada as proof, that includes Time and Reader's Digest as now worded. They failed to mention that while magazine revenues were down fractionally, all other print media had a sharply reduced rate of growth during the same period. In our opinion, it was not the magazine tax, but the 1957-1958 economic slowdown which accounted for this drop-off.

Incidentally, U.S. magazines in the United States experienced a 5.4 per cent drop in revenue



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during that same period and a drop in advertising volume in United States magazines affects the volume in Canadian magazines because in a great many instances advertising copy is picked up from United States magazines to run in Canadian magazines.

It has been mentioned several times during the course of the hearings, that the magazine tax was ineffective. As stated in the original PPA submission, it caused the withdrawal of several "Canadian" editions -- in fact all but Reader's Digest and Time -- and prevented the commencement of new ones. It halted the growth in the percentage of the advertising dollar taken from Canadian magazines by Reader's Digest and Time for the first time. And finally, we do not feel that it was left in being long enough to prove itself one way or the other.

However, the Canadian section, as opposed to the Canadian edition of Argosy was announced a couple of days before the magazine tax was rescinded. This would indicate that the tax, in itself, was insufficient to cope with split-runs or Canadian sections where the profit margin to the publisher is so great that he can absorb a 20 per cent charge and still undersell Canadian magazines.



These Canadian sections and split-runs were not in being at the time that the tax was put into effect originally.

Again, the circulation activity of Canada editions, particularly Reader's Digest, hurt Canadian publications. Reader's Digest, more than any other magazine, depends on cut-rate offers to sell subscriptions. Here is its percentage of cut-rate subscriptions, to total subscriptions sold, for the years 1949, 1954 and 1959.

PERCENTAGE OF CUT-RATE SUBSCRIPTIONS - Reader's Digest

<u>Year</u>	<u>Total Subscriptions</u>	<u>Cut-Rate Subscriptions</u>	<u>Percentage of Cut-Rate Subscriptions</u>
1949	424,816	333,479	78.5%
1954	650,971	585,791	90.0
1959	726,052	721,700	99.4

This practice has influenced Canadian mass magazines, who are directly competitive with Digest, in the use of cut-rate offers.

The third contention (c): "A main requirement for Canadian periodicals is better management and better editorial content".

The day that the management and editors of any magazine feel that there is no room for further improvement, is the day that magazine will start to die. Obviously, Canadian magazines

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Source	Information	Reference
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are constantly striving for better management, better editorial -- but this is not all they need. This contention we think will benefit from detailed examination. We will examine the background. I think it is very significant, incidentally.

Strong overflow circulation has faced the Canadian periodical publisher, in practically every field he could enter, for over half a century. Actually, sir, I have evidence going back to the 1870's of the same thing.

From the beginning, therefore, his product was directly compared with its opposite number from across the border. And the reader, who made this comparison, would not realize that he was comparing products produced with a market discrepancy of better than 10 to 1, in a field where such discrepancies have a greater visible effect than in most other manufacturing processes.

Advertising, too, was hard to sell, especially when many subsidiaries of U.S. companies were charged with their overflow advertising, to the detriment of Canadian magazine advertising revenues.

The Canadian publisher had to put every available dollar into his editorial content, and employ the most hard headed, ingenious editors, capable of stretching every dollar, to provide Canadian content that would attract and hold the



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5. I intend more to use the library as a place to study.

1. *Examine the following text and identify the main topic.*

• *Vilcabamba* : *crabgrass* = year 2 of the 1990s

of the village school at St. John's, Newfoundland.

and of local action now law, 1900-1901, 1902-1903, 1904-1905, 1906-1907, 1908-1909, 1910-1911, 1912-1913, 1914-1915, 1916-1917, 1918-1919, 1920-1921, 1922-1923, 1924-1925, 1926-1927, 1928-1929, 1930-1931, 1932-1933, 1934-1935, 1936-1937, 1938-1939, 1940-1941, 1942-1943, 1944-1945, 1946-1947, 1948-1949, 1950-1951, 1952-1953, 1954-1955, 1956-1957, 1958-1959, 1960-1961, 1962-1963, 1964-1965, 1966-1967, 1968-1969, 1970-1971, 1972-1973, 1974-1975, 1976-1977, 1978-1979, 1980-1981, 1982-1983, 1984-1985, 1986-1987, 1988-1989, 1990-1991, 1992-1993, 1994-1995, 1996-1997, 1998-1999, 2000-2001, 2002-2003, 2004-2005, 2006-2007, 2008-2009, 2010-2011, 2012-2013, 2014-2015, 2016-2017, 2018-2019, 2020-2021, 2022-2023, 2024-2025, 2026-2027, 2028-2029, 2030-2031, 2032-2033, 2034-2035, 2036-2037, 2038-2039, 2040-2041, 2042-2043, 2044-2045, 2046-2047, 2048-2049, 2050-2051, 2052-2053, 2054-2055, 2056-2057, 2058-2059, 2060-2061, 2062-2063, 2064-2065, 2066-2067, 2068-2069, 2070-2071, 2072-2073, 2074-2075, 2076-2077, 2078-2079, 2080-2081, 2082-2083, 2084-2085, 2086-2087, 2088-2089, 2090-2091, 2092-2093, 2094-2095, 2096-2097, 2098-2099, 2100-2101, 2102-2103, 2104-2105, 2106-2107, 2108-2109, 2110-2111, 2112-2113, 2114-2115, 2116-2117, 2118-2119, 2120-2121, 2122-2123, 2124-2125, 2126-2127, 2128-2129, 2130-2131, 2132-2133, 2134-2135, 2136-2137, 2138-2139, 2140-2141, 2142-2143, 2144-2145, 2146-2147, 2148-2149, 2150-2151, 2152-2153, 2154-2155, 2156-2157, 2158-2159, 2160-2161, 2162-2163, 2164-2165, 2166-2167, 2168-2169, 2170-2171, 2172-2173, 2174-2175, 2176-2177, 2178-2179, 2180-2181, 2182-2183, 2184-2185, 2186-2187, 2188-2189, 2190-2191, 2192-2193, 2194-2195, 2196-2197, 2198-2199, 2200-2201, 2202-2203, 2204-2205, 2206-2207, 2208-2209, 2210-2211, 2212-2213, 2214-2215, 2216-2217, 2218-2219, 2220-2221, 2222-2223, 2224-2225, 2226-2227, 2228-2229, 2230-2231, 2232-2233, 2234-2235, 2236-2237, 2238-2239, 2240-2241, 2242-2243, 2244-2245, 2246-2247, 2248-2249, 2250-2251, 2252-2253, 2254-2255, 2256-2257, 2258-2259, 2260-2261, 2262-2263, 2264-2265, 2266-2267, 2268-2269, 2270-2271, 2272-2273, 2274-2275, 2276-2277, 2278-2279, 2280-2281, 2282-2283, 2284-2285, 2286-2287, 2288-2289, 2290-2291, 2292-2293, 2294-2295, 2296-2297, 2298-2299, 2300-2301, 2302-2303, 2304-2305, 2306-2307, 2308-2309, 2310-2311, 2312-2313, 2314-2315, 2316-2317, 2318-2319, 2320-2321, 2322-2323, 2324-2325, 2326-2327, 2328-2329, 2330-2331, 2332-2333, 2334-2335, 2336-2337, 2338-2339, 2340-2341, 2342-2343, 2344-2345, 2346-2347, 2348-2349, 2350-2351, 2352-2353, 2354-2355, 2356-2357, 2358-2359, 2360-2361, 2362-2363, 2364-2365, 2366-2367, 2368-2369, 2370-2371, 2372-2373, 2374-2375, 2376-2377, 2378-2379, 2380-2381, 2382-2383, 2384-2385, 2386-2387, 2388-2389, 2390-2391, 2392-2393, 2394-2395, 2396-2397, 2398-2399, 2400-2401, 2402-2403, 2404-2405, 2406-2407, 2408-2409, 2410-2411, 2412-2413, 2414-2415, 2416-2417, 2418-2419, 2420-2421, 2422-2423, 2424-2425, 2426-2427, 2428-2429, 2430-2431, 2432-2433, 2434-2435, 2436-2437, 2438-2439, 2440-2441, 2442-2443, 2444-2445, 2446-2447, 2448-2449, 2450-2451, 2452-2453, 2454-2455, 2456-2457, 2458-2459, 2460-2461, 2462-2463, 2464-2465, 2466-2467, 2468-2469, 2470-2471, 2472-2473, 2474-2475, 2476-2477, 2478-2479, 2480-2481, 2482-2483, 2484-2485, 2486-2487, 2488-2489, 2490-2491, 2492-2493, 2494-2495, 2496-2497, 2498-2499, 2500-2501, 2502-2503, 2504-2505, 2506-2507, 2508-2509, 2510-2511, 2512-2513, 2514-2515, 2516-2517, 2518-2519, 2520-2521, 2522-2523, 2524-2525, 2526-2527, 2528-2529, 2530-2531, 2532-2533, 2534-2535, 2536-2537, 2538-2539, 2540-2541, 2542-2543, 2544-2545, 2546-2547, 2548-2549, 2550-2551, 2552-2553, 2554-2555, 2556-2557, 2558-2559, 2560-2561, 2562-2563, 2564-2565, 2566-2567, 2568-2569, 2570-2571, 2572-2573, 2574-2575, 2576-2577, 2578-2579, 2580-2581, 2582-2583, 2584-2585, 2586-2587, 2588-2589, 2590-2591, 2592-2593, 2594-2595, 2596-2597, 2598-2599, 2600-2601, 2602-2603, 2604-2605, 2606-2607, 2608-2609, 2610-2611, 2612-2613, 2614-2615, 2616-2617, 2618-2619, 2620-2621, 2622-2623, 2624-2625, 2626-2627, 2628-2629, 2630-2631, 2632-2633, 2634-2635, 2636-2637, 2638-2639, 2640-2641, 2642-

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and, therefore, this

[illegible]

loyalty of Canadian readers. He had to keep his advertising sales expense at a minimum, yet build his advertising lineage to a point which would allow his editors enough editorial pages in which to do a thorough job. And his advertising rates were always, on a cost per thousand basis, higher than his U.S. counterpart, because of the number of copies produced. The subsidiaries of U.S. firms could and did, compare the cost per thousand of advertising in Canadian magazines, as against the cost per thousand in U.S. magazines with their much greater press runs, to the detriment of Canadian publications.

I might say, sir, from personal selling experience 25 years ago this was very common at that time.

Canadian magazines did everything in their power to increase circulation, in order to produce more copies over which to spread higher enabling them to do a better job and to hold or lessen the cost per thousand to the advertiser. But here again, foreign competition had its effect. Canadian magazines were far outweighed by thicker, more colourful, U.S. magazines on all Canadian newsstands. And the big national distributors to these newsstands were (as they still are) controlled mainly by U.S. interests.



In all other circulation sales fields, except direct mail, U.S. circulation companies were active, and Canadian magazines being sold by or through such organizations were offered as a third or fourth choice with U.S. publications being pushed first.

This overall situation was realized by the Canadian Government which imposed in 1931, a tax based on the advertising content of foreign periodicals. Several times during the course of the hearings it has been implied that this tax was unsuccessful. On the contrary, the results of that modest tax were instantaneous and favourable. While the tax was in effect, the Canadian circulation of nine leading U.S. magazines dropped 59 per cent. In the same period, the top six Canadian magazines gained 69 per cent in circulation. In 1936, the tax was removed. This legislative change was immediately reflected in magazine circulation figures. By the end of 1936, in just one year, the same nine U.S. magazines showed a circulation gain of 47 per cent over 1935, while the six Canadian magazines gained only 4.7 per cent.

From 1936 to 1942, the overflow pressure continued to grow. I don't want to be misunderstood, sir. This was no abnormal pressure. It was part of the circulation building of the United States markets in their own country which





again overflowed into Canada. I think we have heard from our first witness here today the situation that is still continuing in the race for circulation.

Then, with paper rationing, the pressure from U.S. publishers was not so great, and advertisers seeking coverage used Canadian magazines to the limit of pages available. The period from then until the end of the war gave Canadian magazine publishers a breathing spell, and at the war end great improvements in Canadian magazines rapidly became apparent.

But then, added to overflow circulation which again was growing rapidly (93 per cent between 1948-59) came the drain on advertising dollars to so-called Canadian editions of Time and Reader's Digest, to be followed by True, Argosy, Woman's Day, Everywoman's Family Circle -- in the brief it says "Everywoman's Family Circle". They were two separate publications at that time.

U.S. publishers, capitalizing on an editorial product purchased for a much larger market, moved into Canada to drain directly -- as opposed to the indirect drain of overflow circulation -- Canadian advertising dollars.

Today, with only the strongest of the Canadian magazines still alive, the pressure is for still more colour, higher quality, more expensive





production, and higher quality editorial, to keep Canadian magazines comparable in quality in all ways with those produced on budgets ten times the size. If the management of Canadian magazines had not been both aggressive and efficient, and if the editors had not been of top drawer calibre, not only that but with a deep sense of dedication, would any Canadian magazines survive today?

Personally, I don't think they would.

We need the best editors, and best management we can develop and train, but we also need less overwhelming competition from overflow circulation. And we need to stop the flow of Canadian advertising dollars, which is the life blood of the industry, to foreign publications being used to sell goods and services to Canadians.

Contention (d): "Overflow circulation is not damaging to Canadian periodicals".

We have already, in this rebuttal submission, given some idea of what overflow circulation has done to Canadian magazines over the years. The BNA supplementary brief has given some idea of what it is now doing to business papers, and basic information was also supplied in our original PPA submission and the slides we showed at that time.

But in addition to the damage already



described, it has resulted in a domination of magazine circulation sales in Canada, by U.S. interests. This applies in newsstands, and in personal selling channels, and it has made the direct mail operations of Canadian magazines much more costly.

I would like to interject something here, sir. In 1952 the direct mail rates in Canada were doubled for third-class postage because of a postal deficit. I have not been able to prove this because the Post Office have no figures on that. I personally hold deep suspicion that one of the reasons for the deficit of the Post Office third-class mail in those days was the vast volume of individual pieces of direct mail flowing across the border in subscription solicitations which, under the International Treaty, we had to carry free in this country.

The only way to get that deficit restored was to raise the rates. So they raised them. Canadian magazine thereby paying higher postal rates and being put out of business -- a delightful situation.

All in all, overflow circulation has been the most damaging of all foreign competition because:

- (a) It has prevented the normal commencement and growth of Canadian magazines.



That "prevented" may be a strong word. I do not want to oversell this but it has certainly been an important factor.

(b) It has held down advertising expenditures in Canadian magazines.

(c) It has held down the advertising expenditure per capita<sup>l</sup> in Canada versus United States, and particularly when it is combined with the overflow of TV and radio. This does not apply only to periodicals here.

(d) It has made circulation operations in Canada much more costly and less successful for Canadian magazines.

(e) It has provided the base for Canada editions, split-runs, Canadian sections, etc.

Mr. Commissioners, if I may I would just like to introduce two small exhibits which tends to indicate this thing. I have before me a prospectus issued a few days ago by Gairdner and Company for Equisite Form Brassiere (Canada) Limited.

"The Company was formed as the Canadian affiliate of Equisite Form Brassiere, Inc. (herein referred to as the 'American corporation') a United States company engaged in the manufacture and sale of



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"ladies' undergarments, principally brassieres and girdles. Prior to the Company's formation, the American corporation had been selling ladies' foundation garments in Canada for some four years. Since 1950 the Company has enjoyed the exclusive Canadian rights to manufacture and sell all products developed by the American corporation. The Company also sells products of its own design.

The Company and its subsidiaries derive the following benefits from their association with the American corporation:

(a) The exclusive ~~right~~ to manufacture and sell in their respective operating areas all products designed by the American corporation.

(b) Access to the results of continuing market research.

(c) Sales impetus resulting from the extensive advertising campaigns conducted by the American corporation. These include advertising in national magazines and television commercials carried by television stations within range of all



"major Canadian cities near the Canada - U.S. border, The composition of most of the advertising done in Canada is originated and largely paid for by the American corporation.

(d) Raw material research on fabrics of all types, their uses and available sources of supply. This includes complete laboratory facilities for the testing of fabrics as to durability, shrinkage and any other qualities affecting their use.

(e) Access to any new developments in factory equipment or manufacturing processes which will assist in improving product quality and manufacturing efficiency.

For the above services the Company and its foreign subsidiaries each pay the following amounts:

(1) to the American corporation, 12-1/2 per cent of the annual net profit before income taxes or 3 per cent of the net sales, whichever is the lesser, and

(2) to Silf Skin Inc., an affiliate of the American corporation, 10 per cent of the annual sales value of Silf Skin girdles."

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This is an indication and a direct one  
of charges for overflow circulation.

I would like to submit that, if I may.

- EXHIBIT NO. O-138: Maclean Hunter  
Publishing Co.  
Rebuttal
- EXHIBIT NO. O-139: Publisher's  
Institute -  
Brief
- EXHIBIT NO. O-140: Professional Inst.  
of the Public  
Ser. of Can. -  
Brief.
- EXHIBIT NO. O-141: Realm News  
Service Ltd.  
Recommendation
- EXHIBIT NO. O-142: The Canadian  
Kennel Club -  
Brief



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MR. LAURIN: The next one and I don't submit it as an individual piece - I submit it as an individual piece, but it is typical. It is the Elgin Watch Company release issued by Mr. Frankel, managing director of the Elgin Watch Company for Canada. The release reads:

"The Elgin Watch Company Ltd. has announced the purchase of television and magazine media designed to saturate the Canadian market with Elgin's product story this Fall. Such effective sales forces as Dave Garroway, Jack Paar and three top magazines will carry the concept of Elgin's gift-giving to millions during the months of November and December.

Highlights of this Fall Television Campaign is Elgin's sponsorship of DAVE'S PLACE, an hour-long Special to be telecast on Friday evening, November 18th. This entertaining production starring personalities such as Peggy Lee and Jonathan Winters will be seen by Canadian viewers through the facilities of NBC-TV Stations coming into the Canadian markets."

It goes on in some detail into that. I don't want to take the time of the Commission to read it.

"Elgin will also concentrate its efforts in national magazines, with full-page black and white advertisements scheduled for LOOK, the SATURDAY EVENING POST and SPORTS ILLUSTRATED.

The LOOK Magazine schedule will include a Sportsman-Starlite advertisement in the October 25th



issue, the Elgin "THIN THIN" Automatic story on November 7th, a sales message on diamond watches on November 22nd and a unique two-page, 4-color Christmas spread on November 26th.

This same 4-color Christmas ad is scheduled to appear in the November 26th issue of the SATURDAY EVENING POST, timed to take full advantage of the pre-Christmas buying period.

A series of third-page advertisements will highlight various models in the Lord and Lady Elgin line. Eight of these striking Elgin sales messages will appear in SPORTS ILLUSTRATED during the period from late October to the 2nd week of December.

'A comprehensive television and magazine campaign such as that outlined will create more interest in and sales of Elgin watches than ever before', announced Roy F. Frankel, Managing Director of the Elgin Watch Company Ltd.

'Jack Paar, a man who has literally built substantial store traffic with his winning words about Elgin now begins his second year in the selling of watches. Dave Garroway, a master of warm, direct selling completes a powerful Elgin advertising campaign supported by solid Magazine support', Frankel continued.

'Our 1960 Fall campaign embodies imagination, flexibility and the personal touch necessary to instill the nation's buying public with Elgin's name and fine product features. With the aid of



such a campaign, we envision a very active pre-Christmas selling period'."

Mr. Chairman, I have submitted material of this nature before, but I felt this should be directed to the attention of the Commission at this time.

Contention (e) - "THE MAIN COMPETITION TO BE FACED BY CANADIAN MAGAZINES IS T.V. AND WEEKEND MEDIA, NOT FOREIGN MAGAZINES"

Periodical Press Association supplementary brief showed the facts in this case. Magazines in Canada weathered the T.V. storm, and held their own with weekends. Canadian magazines, however, suffered very badly at the hands of Canadian editions whose constant growth in advertising revenue drained essential Canadian advertising dollars from Canadian media.

To put the record straight, the main new competition in weekend media is Weekend magazine - weekend competition has been with us for years - a controlled circulation paper of tremendous mass coverage. The new concept here, and a brilliant one, delivery with the daily paper, allowed one publication to gain a very high circulation in a very short period. Weekend's competition is hard Mr. O'Leary - but it is Canadian and it is fair. We must meet it and live with it. We can do this, and also meet other vigorous domestic competition. But we cannot do this and also overcome the unfair foreign competition our various submissions have described as well.





Contention (f) - "CANADIAN MAGAZINES NEED  
HELP BUT THERE IS A DANGER SUCH HELP WILL INTERFERE  
WITH THE FREE FLOW OF INFORMATION"

Many witnesses have come before this Commission to say that something should be done to help Canadian magazines, but then have qualified their attitude with words like these: "Whatever is done, we must not interfere with the free flow of information or deny Canadians access to any foreign publications."

Most who have taken this stand are thoughtful Canadians, with a deep and instinctive desire to preserve all freedoms. I might say, the magazines that have taken this stand under questioning by the Commission have changed their views slightly on it. We quite appreciate the philosophy that motivates them. But we wonder whether they have not been looking so closely at this side of the coin that they have forgotten to look at the other.

The question we would ask those who talk about freedom of choice is this: Do Canadian magazine readers have true freedom of choice today? What about those who, given the choice, might prefer to read National Home Monthly or New World or Saturday Night every Saturday night to what they are reading now? They had that choice ten years ago. They have it no longer.

What concerns the members of our association is that freedom of choice, in the full meaning of the phrase, has been subjected to more and more



restrictions during the years, through the sheer economic power and volume of U.S. competition. Unless something is done, it will be limited still further as other Canadian periodicals fall by the wayside, because of those same competitive forces.

No member of Periodical Press Association would accept for a moment the suggestion that foreign publications should be excluded from this country. Canadians have the right to read what they choose to read. At the same time, Mr. Chairman, I think we are entitled to ask and the Commission is entitled to ponder the connotation of such terms as "free flow" and "denial of access".

We are sure no one intends "free flow of information" to imply that all magazines must be placed in the hands of all Canadians without charge. It means that a Canadian must be free to buy the magazine of his choice, wherever it is printed, as long as its publication does not infringe the law, and as long as he is willing to pay for it. If the publisher raises his price to meet higher costs, then the reader can either choose to pay the additional charge or refuse to buy it. The choice is his.

By the same token, if the government of this country should decide that the cost, to Canada, of an unimpeded flow of foreign publications was too high, it could properly take steps to reduce the imbalance. Whether those steps involved postage



rates, a tax or a tariff, the magazines would still be as readily available to the purchaser as before. They might cost him a few pennies more, but would be there if he wanted them. Such action, in our opinion, could not possibly be construed as a denial of access.

It has been puzzling to us, through these weeks of hearings, to see how much emphasis some witnesses have placed on the desirability of completely unrestricted circulation of foreign magazines, while overlooking the fact that tariffs on literature have long been accepted.

We know that there is a tariff on books shipped between the United States and Canada, in either direction. The same is true of most other countries. And books represent the presentation of thoughts and ideas in perhaps their purest form -- absolutely devoid of any form of commercialism.

In both Canada and the United States, postal charges even now differentiate between one kind of publication and another. Yet no one would suggest that this was an intrusion of government into the realm of free choice.

It has been abundantly demonstrated that considerable inequities exist in the competitive positions of Canadian periodicals and their vastly more numerous American counterparts. We are asking only that these inequities be lessened by reducing or neutralizing certain economic advantages enjoyed by the foreign competitor.





I think it is foreign competition en masse.

Somewhere in between the undesirable and unnecessary policy of exclusion and the present situation that is moving toward the extinction of Canadian magazines lies a middle ground on which we should take our stand.

It is not a problem to be solved for today or tomorrow, but one that requires a solution that will endure for many years. And we are confident that a reasonable opportunity can be established, through your recommendations, for Canadians to create a strong and healthy national periodical literature of their own, while at the same time enjoying full access to foreign magazines.

THE CHAIRMAN: Is Mr. Chalmers here? If Mr. Chalmers is here we would like to have his comments now on the Periodical Press submission, and then we can take the two of you together on any questions we may ask.

MR. LAURIN: We have a submission on recommendations too. That is the one Mr. Chalmers was going to comment on. Would you like to hear that first?

THE CHAIRMAN: You do it first and we will hear Mr. Chalmers comments.

MR. LAURIN: These are the submissions to the Royal Commission by the Periodical Press.

As anticipated in paragraph 62 of our original submission, recommendations as to many courses



of action which might be considered by the Commission have emerged in the hearings all across Canada.

The purpose of this submission on recommendations is to put before the Commission our views on the various courses of action that have been suggested or that seem to follow from these suggestions. We will deal with those recommendations which have a real relationship to, and influence on, the situation confronting the member publications of Periodical Press Association.

In order to relate our comments specifically to "the better development of a Canadian identity through a genuinely Canadian periodical press" we have kept in mind the following objective:

To establish an operating climate which will allow the survival and development of existing Canadian periodicals, and which will attract new capital and new creative minds to the establishment of new Canadian publications in all periodical fields.

To achieve this climate, it is believed action should be recommended

- (a) to reduce the volume of foreign advertising, for goods and services available in Canada, entering Canada in the overflow circulation of periodicals;
- (b) to strongly discourage advertising in foreign periodicals, printed outside of Canada, if such advertising is



addressed primarily to the Canadian reader;

(c) to neutralize, or at least materially lessen, the cost advantage vis-a-vis Canadian periodicals enjoyed by "Canada editions" printed in Canada, or encourage them to become Canadian, in fact.

The action suggested above covers the three main areas of foreign competition as follows:

(a) OVERFLOW CIRCULATION - This is where the editorial and advertising content of the imported publication are unchanged from the domestic edition.

(b) CANADIAN ADVERTISING, ADDRESSED PRIMARILY TO CANADIANS, CARRIED IN PERIODICALS PRINTED OUTSIDE OF CANADA - This applies to split-runs, regional editions, "Canadian" sections, and "Canadian" editions of various types printed outside of Canada. In this instance, there may be some changes in editorial content, and there will be changes in advertising content, from other editions of foreign publications which circulate in the country of origin.

(c) CANADA EDITIONS - This is the case of the foreign periodical, printing in Canada, but importing all or most of its editorial content from its parent publication. In this instance, its editorial





content may differ in small part from the domestic edition, and its advertising content will differ fully or in great part from the domestic edition.

Recommendations that have been made in respect to each of these classifications will be dealt with in order.

OVERFLOW CIRCULATION Three general methods of dealing with overflow circulation have been suggested by various witnesses.

- (a) To deal with the overflow periodical in its entirety.
- (b) To deal only with the advertising content of overflow periodicals.
- (c) To deal with the overflow value of the parent advertising in imported periodicals, as related to the Canadian subsidiary or its Canadian subsidiary.

In dealing with the publication in its entirety, the most direct approach to slowing the growth of overflow circulation is a per copy tax, or a tariff which might have the effect of increasing the per copy tax, or a tariff which might have the effect of increasing the per copy price to Canadians. This is the measure I described earlier that was adopted by the Government in 1931 when it proved most effective in stimulating the sale of Canadian periodicals. It is a measure that would not be necessary if other effective and practical controls can be



devised.

An indirect approach, still dealing with the publication as a whole, which might have some small effect, would be action to cover the postal costs of foreign publications circulating through the Canadian mails, and mailed outside of Canada. In our opinion, this action should be taken in the interest of the Canadian taxpayer, as well as the interest of Canadian periodicals.

The average cost to the Canadian Post Office of handling a piece of second class mail has been estimated by the Postmaster General as approximately 4.3 cents. From figures we have been able to develop, the annual loss to the Canadian Post Office occasioned by carrying U.S. periodicals free, or at statutory rates, is in the area of \$7,000,000. To correct this situation, negotiations should now be commenced, with the U.S. Government and Post Office, and failing that under the Universal Postal Union convention in 1962, we would hope to obtain what is known as a terminal payment, following the precedent of parcel post and air mail.

Similarly, we understand that there is much higher volume of U.S. direct mail advertising (for example, magazine subscription solicitations, etc.) carried free in the Canadian mails than vice versa. If Post Office investigation confirms this, negotiations for terminal payments on this class of mail should also be inaugurated, or the tariff on



such items - there was such a tariff, removed at January 1st, 1939, should be reinstated to encourage the printing of such material in Canada. It would then be placed in the Canadian mails to be carried at normal postal revenue, rather than free, which is the case when it is mailed in the country of origin.

If action in the previous paragraph is successfully completed, and we have no way of knowing this, but I would suggest it might be quite possible, it might be quite possible to reduce third class mailing rates presently paid by Canadian publishers and still allow the Canadian Post Office to operate its third class mail at a small profit. We are carrying a very high quantity of United States third class mail mailed in the United States carried free in Canada to the detriment of our profit on the third class mail.

Dealing with the advertising content of overflow circulation as advertising printed matter, an appropriate measure would be that Tariff Item 178 (see Appendix A) should apply, if this method is used.

It is felt that this approach has some merit, as the advertising content of overflow publications is that portion of the publication which is injurious alike to Canadian publications and Canadian manufacturers. However, the present rate of Tariff under Item 178 if applied to advertising dollar volume might prove to be higher than necessary.

Therefore, the Commission might consider





various lower rates of tariff, or an offsetting allowance for the dollar value of Canadian paper used up to the extent of copies entering Canada.

Dealing with overflow advertising value to a subsidiary, we feel it to be completely impractical to deal with overflow advertising through a penalty on the benefiting subsidiary or distributor. Some firms operating in Canada would be penalized for actions of parent or licensing companies over which they had virtually no control.

A further suggestion, not up to now recommended, might be worth investigation by the Commission. A completely free and unhampered circulation in this country of periodicals up to 2% of their domestic circulation, might be allowed. Above this level, Tariff Item 178 might be applied at present rates. In table 1, page 2 of Mr. Kenyon's submission on behalf of the U.S. Magazine Publishers Association, the foreign circulation excluding Canada of U.S. magazines is shown as 1.8% of their total circulation. A total duty and tax free circulation in Canada approximately equal to that of the total circulation in all other countries of the world combined, would appear to be reasonable. For administrative simplicity, and to provide free entry for some hundreds of scientific and cultural publications, foreign consumer magazines with 10,000 or less Canadian circulation could be exempt, as could farm magazines with less than 2,000, and business papers



with less than 300 Canadian circulation. These levels are not arbitrary and could be considered in an effort to find more equitable ones. From these measures the result we would expect would be a reduction in circulation sales efforts in this country, rather than an increase in per copy price.

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1. Canadian advertising addressed primarily to Canadians but printed outside of Canada.

The carriage, in foreign periodicals printed outside of Canada, of Canadian advertising addressed to Canadian readers, poses a dangerous and growing threat to Canadian periodicals of all types. It should be most strongly discouraged. It is perhaps, I think, certainly the most inequitable of all the foreign competition we face.

Suggested solutions to this problem have ranged from prohibiting the entry of foreign publications which differ in any respect from those circulating in the country of origin, through application of Tariff Item 178 where such advertising would be classed as advertising printed matter, to disallowance for income tax purposes of the costs of such advertising, as a business expense to the advertiser.

We would not want to see the entry of any publication prohibited, except in cases of seditious, obscene, etc., literature, as within the law.

There seem to be at least two ways of dealing with this problem under Tariff Item 178.

(a) To deem the entire advertising content of the periodical to be advertising printed matter entering Canada, assess tariff on the pro-rated value of the





advertising content at present rates of duty, and require payment of 11 per cent sales tax, which is normal with advertising printed matter, and with no allowance for duty free copies.

(b) To deem the Canadian purchaser of the advertising to be the importer of that specific advertising, and make him liable for the tariff. As such action must deal adequately with all forms of Canadian periodical advertising printed outside of Canada for re-entry, either valuation of the advertising, or the rate of duty must be high. Otherwise no effective deterrent will have been established. My personal opinion is that it should be around 100 per cent, if it is going to be on that basis. That is from my own experience in publishing costs.

Disallowing the expenditure, for income tax purposes, of Canadian dollars for Canadian dollars for Canadian advertising printed outside Canada for re-entry has been suggested. We cannot judge whether this is administratively feasible, but in any event the value of such advertising should be based on the pro-rated value of the domestic advertising rates, plus the full mechanical



cost of plate changes, and split-runs and so on, where applicable.

There is a further method of solution, not as yet suggested, which might have some merit. Amend Tariff Item 184(a) to read, and the underlined portions are the amendment,

"Periodical publications, identical with regular domestic editions as distributed in the country of origin, unbound or paper bound, printed and issued at regular intervals, not less frequently than four times a year, and bearing dates of issue".

This would require the addition of another item, say 184(b) to state the tariff charges in respect to publications not falling within the amended 184(a). That is something for the Department of National Revenue.

Canada Editions - printed in Canada.

I might say that this "Canada Editions" and "Printed outside of Canada" is something, as you know, that has caused us grave concern. I have another example which I would like to submit today. I have no knowledge whatever of this publication planning to carry advertising, but it is interesting to note that it is now starting a Canadian edition with the December issue -- Paris Match. This is



the first issue of it. It is controlled by, so far as I know, the largest publisher in France, and who also publish L'Elle and who, as you heard in Montreal, have very much influence on newsstands, as well as in French Canada in this country.

The final one that we are dealing with is Canada Editions, Canadian Editions printed in Canada.

"Canada editions" printed in Canada contribute to the Canadian economy through the use of Canadian paper, Canadian printing facilities, resident Canadian staffs, etc. The amount they contribute is much less than the amount of similar Canadian activity they simply replace and they are a very serious factor in hindering the growth of Canadian periodicals. However, they make some expenditures in Canada and accordingly might be treated differently from those printed outside of Canada.

A wide range of suggested solutions has been put forward. Before commenting upon them, the views of the Periodical Press Association executive will be outlined.

I stress "executive"; there has not been time to consult every member across Canada.

Certain rights and privileges, such as statutory mailing privileges and exemption from





sales tax on certain materials used in production, have been provided to encourage Canadian publications. Such rights and privileges should be reserved for Canadian publications and not granted to foreign publications whether printed in Canada or not.

This gives rise to the problem of determining when a "Canada edition" which depends on the re-use of foreign editorial content for its basic content becomes in fact a Canadian periodical and entitled to the rights and privileges accorded to all Canadian periodicals.

It is suggested that periodicals be deemed to be Canadian only when they are printed and published in Canada, edited in Canada, and contain to the extent of 75 per cent or more, by space, articles or other editorial material originated specifically for Canadian readers, and not appearing in editions published in other countries.

This was written and submitted before we had our discussion on the subject of ownership and I would like to mention this ownership again for just a minute. I have not the slightest objection and, after listening to you on the subject, I have changed quite a few of my views regarding this ownership; but, I do not feel that ownership in itself is a satisfactory condition



to the publishing of these kind of publications.

Now, I have not had the opportunity of taking legal counsel on this and I do not have the proper knowledge; but, it would seem to me -- let us take one specific instance -- Reader's Digest. What is to prevent, under the ownership clause, the Reader's Digest Corporation in Canada being sold to Ronald's Press, which print them for \$10, if you will, and then Ronald's Press licensed to re-produce the Reader's Digest from the United States in Canada for, say, 99.9 per cent of the profit -- something of this kind? This is sheer conjecture. I am not pointing fingers at anybody. I do not feel that ownership in itself can establish what needs to be established in regard to Canadian content.

THE CHAIRMAN: But, you have taken no legal advice on this?

MR. LAURIN: No, sir.

THE CHAIRMAN: This is your own conjecture?

MR. LAURIN: Personal feeling. I have taken no legal advice whatsoever on this.

The 75 per cent figure above is, in our opinion, an absolute minimum requirement. A detailed explanation of this percentage is given in the PPA supplementary submission dated December 28, 1960.

Pertinent recommendations, in regard to



"Canada editions" printed in Canada, that have been put forward at various hearings are listed below, with our comments on each:

(a) Ownership by Canadians - ranging from Canadian control to 100 per cent ownership.

While the owner undoubtedly controls the broad editorial policy and viewpoint through the persons employed as editors, it is felt that editing in Canada, with 75 per cent of editorial content developed for Canadian readers would be acceptable without any direct ownership requirements. But we have no objection to such an ownership stipulation.

(b) Statutory postal rates to be reserved for Canadian publications, and denied to foreign periodicals.

This suggestion is strongly concurred in. We see no reason why the Canadian taxpayer should subsidize, for example, Reader's Digest. This publication imports editorial content, approximately 96 per cent of which is paid for in the U.S.A. and other countries, has the advantage of sales, research, and promotion expenses made in the U.S.A. It uses these cost advantages to develop a very heavy advertising sales





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effort in competition with wholly Canadian publications, and at comparably lower advertising rates than in its own country. Today, it pays an average of less than 1 cent per copy postage, when the average cost to the Canadian Post Office for handling such mail is approximately 4.3 cents. The Canadian taxpayer pays the difference and we feel this is utterly wrong.

(c) Sales tax exemption on printing materials to be reserved for Canadian and denied to foreign periodicals.

Again, this suggestion is strongly concurred in. Such sales tax exemption was granted to periodicals printed and published in Canada because their competition, U.S. magazines, flowed across the border with no taxes or duty whatever. This exemption did not - 20 years ago - when it was put in - envisage foreign publications soliciting Canadian advertising, being printed in Canada. It should now be reserved for Canadian publications. Sales tax exemption should be denied foreign publications printed in Canada, and they should pay normal sales tax.



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(d) Editorial material appearing in a "parent" publication and then imported into Canada for second or third hand use in a "Canada edition", to be construed as dumped material and made dutiable as such.

This is an area worthy of very careful examination, but, I admit it is a very difficult one. It does raise some problems of determining the fair market value of such material. If the Reader's Digest, for example, buys an article for \$1,800, plants it in a Canadian publication for the purpose of reprinting it, and then sells it to its Canadian edition at \$75, is this a fair market price for the Canadian rights, since the article is "second-hand" in Canada. On the other hand, if it publishes the article simultaneously in its U.S. and Canadian editions, without the article having appeared anywhere else, and if the article is one of interest to Canadians, is it an \$1,800 article dumped at \$75? Obviously it is very difficult to deal with individual articles. But it would not be difficult to work out

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and the twenty-sixth of the year 1900.

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a formula based upon the true value to the publication of its total imported editorial content.

Mr. Farrell, I believe it was, in his brief -- I am not sure of that -- certainly in the last day or two, made the suggestion of using a percentage of the previous year's advertising revenue to determine the editorial value. This may be one of the ways of doing it.

(e) The privilege of duty free entry of printing plates, or any other material to be used for manufacturing, to be reserved for Canadian periodicals, as defined.

We concur in this recommendation.

This privilege was established to aid Canadian periodicals against the tremendous influx of expensive advertising material reproduced in the pages of U.S. magazines, by making some of it more readily available for use in Canadian periodicals as well. The intention was to help Canadian periodicals, not to assist foreign publications, printing in Canada, and soliciting Canadian advertising dollars.

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(f) To grant tax concessions to Canadian periodicals is another recommendation. We can find no record of any specific suggestions in this regard although the principle was recommended at several of the hearings. This approach moves in the direction of what is in effect a subsidy to Canadian periodicals, which we feel is to be avoided.

There are some ideas which could help Canadian periodicals and which could form a small part of the solution to the problem of direct and unfair foreign competition. Not by dealing with the competition, but by making things easier for Canadian Periodicals. These are:

(a) Advertising and circulation promotion material for U.S. publications entering Canada in individual pieces, usually at a low unit cost because of longer press runs, come in free of tax or duty. Canadian periodicals should be granted sales tax exemption on all publishing and promotion materials, -- comparable ones.

(b) Statutory mailing rates are confined to Canadian periodicals mailed to bona fide subscribers. We suggest that such statutory rates be made available to the Canadian

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2 circulation of all Canadian periodicals whose circulation is audited by an independent circulation auditing organization, and/or recognized by the Postmaster General.

(c) The local postal delivery charges for Canadian periodicals are substantially higher than for those copies delivered to all parts of Canada outside of the place of publication they are 1-3/4 per cent a pound and the local rates are one cent for the first 2 ounces, one cent for the next two ounces and one cent for each subsequent four ounces or a fraction thereof. The result is this: For example, if a magazine is published in Toronto, it is cheaper to mail to Vancouver than it is to mail to a Toronto address. We feel that this anomaly should be removed and that the statutory second class rate should apply to the entire mailing of the publication, whether delivered locally or not. In this instance, it is interesting to note -- this came out in the Toronto hearings -- that some United States publications shipped in bulk and entered in the Canadian mails do not pay local rates



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Saturday Evening Post, for example, mails its Canadian copies in Toronto, with the exception of the Toronto copies, which are mailed from the United States.

They mail from Chicago so we carry them free. I am sorry, they mail from Philadelphia, not Chicago.

Toronto is designated as the Saturday Evening Post point of entry into the Canadian mails, and if it mailed its Toronto copies in Toronto, it would have to pay the local rate.

(d) Finally, in order to help small or non-commercial periodicals, we suggest that Canadian periodicals with less than 15 per cent advertising content be allowed free postal privileges up to a circulation of 2,500 to regular subscribers or newsdealers. Such a rule would tie in with paragraph 83 of the Canadian postal guide, where weekly newspapers are dealt with.

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Tariff Item 178.APPENDIX "A"

	<u>British Prefer- ential Tariff</u>	<u>Most Favoured Nation Tariff</u>	<u>General Tariff</u>
Advertising and printed matter, viz.: Advertising pamphlets, ad- vertising show cards, illustrated advertising periodicals; price books, catalogues and price lists; adver- tising almanacs and calendars; patent medicine or other adver- tising circulars, fly sheets or pamphlets; advertising chromos, chromo-types, oleographs or like work produced by any process other than hand painting or drawing, and having any advertisement or advertising matter printed, lithographed or stamped thereon, or attached thereto, including advertising bills, folders and posters, or other similar artistic work, lithographed, printed or stamped on paper or cardboard for business or advertisement purposes, n.o.p.			
per pound	5 cts.	10 cts.	15 cts.
but not less than	-	25 p.c.	35 p.c.



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<u>British Prefer- ential Tariff</u>	<u>Most Favoured Nation Tariff</u>	<u>General Tariff</u>
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Goods specified in this item shall be exempt from customs duty when produced in countries entitled to the British Preferential Tariff and relating exclusively to products or services of such Briths countries, but not relating to Canadian products or services.

On goods specified in this item when forwarded to Canada by mail, duties may be prepaid by customs duty stamps, under regulations by the Minister, at the rate specified in the item, except that on each separate package weighing not more than one ounce, the duty shall be each

1 ct. 2 cts. 2 cts.

Bona fide trade catalogues and price lists not specially designed to advertise the sale of goods by any person in Canada, when sent into Canada in single copies addressed to merchants therein, and not exceeding one copy to any

1. The first part of the paper is devoted to a discussion of the general principles of the theory of the structure of the atom.

2. In the second part, we shall consider the question of the influence of the external field on the internal structure of the atom. It is well known that the external field can cause a shift of the energy levels of the atom, which is called the Stark effect. This effect is of great importance in the theory of the structure of the atom, and it is one of the main problems of the present time.

3. In the third part, we shall consider the question of the influence of the external field on the internal structure of the atom. It is well known that the external field can cause a shift of the energy levels of the atom, which is called the Stark effect. This effect is of great importance in the theory of the structure of the atom, and it is one of the main problems of the present time.

4. In the fourth part, we shall consider the question of the influence of the external field on the internal structure of the atom.

5. In the fifth part, we shall consider the question of the influence of the external field on the internal structure of the atom. It is well known that the external field can cause a shift of the energy levels of the atom, which is called the Stark effect. This effect is of great importance in the theory of the structure of the atom, and it is one of the main problems of the present time.

merchant for his own use, but not for distribution, shall be exempt from customs duty under all tariffs.

Advertising and printed matter, whether imported by mail or otherwise, when in individual packages valued at not more than \$1 each and when not imported for sale or in a manner designed to evade payment of customs duties, shall be exempt from customs duty when produced in countries entitled to the British Preferential or Most-Favoured-Nation Tariff.

Again, sir, this came out during the course of the hearings. I believe it was the Forum for two years lost \$2,000 a year, and \$2,000 a year was exactly the equivalent of these postal costs. This may be of considerable help to that type of publication.

Thank you, sir.

THE CHAIRMAN: Thank you very much, Mr. Laurin. You certainly have not missed much. I think we will take a small recess and then we will hear from Mr. Chalmers.

--- Recess.





THE CHAIRMAN: Well, gentlemen, for the purpose of keeping our records as clear as possible, and making it easier to read -- and believe it or not we do read them -- I am going to ask Mr. Chalmers to make some comments on Mr. Laurin's submission or his rebuttal and then we will call Mr. Laurin back and then we can question both of them.

MR. CHALMERS: As I stated yesterday, Mr. Chairman, the submission and comment that was filed with the Commission at the end of December was also released to the press at that time. I know it was released to the press at that time because I have read a brief summary of it in the Canadian Press Dispatch in a number of Canadian papers. That submission started out with this statement.

"We endorse the comments of the Periodical Press Association on the various recommendations that have been made during the hearings."

I think it would save some time if I did not go through all of these but if perhaps I made some informal comment.

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COMMENT ON RECOMMENDATIONS  
PRESENTED BY  
MACLEAN-HUNTER PUBLISHING COMPANY LIMITED

Mr. F. S. Chalmers

Present

We endorse the comments of the Periodical Press Association on the various recommendations that have been made during the hearings.

We believe that the problem must be recognized both as an economic problem and as a national problem in a somewhat broader sense.

On the economic and commercial side many submissions, including those of various groups in the graphic arts industry and the Canadian Labour Congress, have pointed to the enlarged employment in the printing industry that could result from the stimulation of a stronger and broader periodical press in Canada.

But important as is this matter of created new investment opportunities and new jobs, the more urgent and challenging aspect of the problem is in the intangible area of the development of the national spirit through the strengthening of a valuable instrument of national communication - the periodical press of Canada.

Any measures proposed must be adequate to

(a) preserve and strengthen the existing Canadian periodical press, and



(b) provide new and enlarged opportunity for new capital and new talent in periodical publishing.

Is the chief aim to assist Canadian periodicals or to protect them from the harsher forms of competition? It is difficult to separate the two concepts.

In some areas, it may be necessary to take protective or other measures that would be considered extreme if we were dealing only with a commercial product. There is ample precedent for this. The government will not permit our banks or life insurance companies to come under foreign control. It will not permit broadcasting to come under foreign control or to be dominated by foreign programmes. Canada is developing a national energy policy (assistance to coal, control of electricity export, encouragement to oil and gas pipe lines, etc.) The export of strategic materials is controlled. There has always been a national railway policy. The simple economics of such matters have taken second place to broader national considerations.

We think there is a strong case for a similar approach with respect to Canadian periodicals.

As to the character of solutions attempted, I should like to summarize a few considerations that seem to warrant study:



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(a) So far as possible, positive action to encourage the Canadian periodical press should be emphasized.

(b) But to the extent that protection against foreign competition is indicated as essential, such protective measures should be considered.

(c) All forms of governmental action need to be examined - including postal rates and regulations, tariffs and import quotas, excise taxes, governmental placing of advertising, including even subsidies for special types of "little" and learned periodicals. A combination of several types of action may very well be needed.

(d) So far as possible, measures proposed should be capable of being clearly understood by the public.

(e) So far as possible, measures proposed should be designed to have a long life, as it will take some time for their full effect to be felt - such as in establishment of new publications.

(f) Measures recommended should be considered in the light of the new employment they will create in printing plants, engraving houses, paper mills, etc.

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The Periodical Press has called attention to the several different aspects of the competitive problem.

First are the regional Canadian editions or Canadian split-runs of foreign publications. Quite frankly, the parasitical character of these publications suggests that they are not particularly entitled to sympathetic or generous treatment.

We agree with the PPA comments on the proposed remedies.

Second are the Canadian editions of foreign periodicals printed in this country.

What seems to be required is to distinguish between such publications and truly Canadian publications. Some witnesses before the enquiry have pointed to the fact that they contribute to Canadian employment. This is true. But Canadian publications also contribute to employment in Canada. If Canadian periodicals were given an even break they would add greatly to the prosperity of workers in the printing, engraving, ink and paper industries as well as to the prosperity of writers, artists, photographers, etc., since printing is only one phase of the employment provided by a publication.

In addition to providing substantial employment, Canadian publications provide a channel of communication for the people of Canada. This

[illegible]

... foreign publications.

is a distinguishing characteristic which is paramount in any comparison with non-Canadian publications printed in Canada.

There are several areas for remedial action in connection with these so-called Canadian editions. These have been outlined by the Periodical Press Association and again we subscribe to their comments.

The third area to which the Commission's attention has been directed by many witnesses is that of overflow circulation of the standard domestic editions of periodicals from other countries.

On the one hand it has been strongly represented by a few witnesses that there should be no restrictions on such imports and that Canadians should not be asked to pay any more for such copies than they now pay. It has, for example, been suggested that, if the Saturday Evening Post, for example, were to cost more in Canada than it costs in the U.S.A., this would represent an interference with the free flow of information or with the reading preferences of the Canadian public.

On the other hand the Commission has had before it an abundance of evidence that the commercial invasion of the Canadian market by American publications in particular and the dominance of such publications on the newsstands



The first of these is the fact that the Commission has been established by a law of the Congress, and not by a resolution of the House of Representatives. This is a significant difference, for it gives the Commission a more permanent and authoritative position than it would have had if it had been established by a mere resolution. The second point is that the Commission is composed of members from both Houses of Congress, and also from the Executive and Judicial branches of the Government. This is a further indication of the importance of the Commission's work, and of the confidence which the Government has placed in it.

The third point is that the Commission is authorized to hold public hearings, and to receive evidence from any person who wishes to give it. This is a very important power, for it enables the Commission to obtain the views of the public on the matters which it is investigating. The fourth point is that the Commission is authorized to make recommendations to the Congress, and to the President. This is a very important power, for it enables the Commission to influence the policy of the Government on the matters which it is investigating.

The fifth point is that the Commission is authorized to report to the Congress, and to the President, on the results of its investigations. This is a very important power, for it enables the Commission to make the public aware of the results of its work, and to enable the Congress and the President to take appropriate action on the matters which it has investigated. The sixth point is that the Commission is authorized to hold public hearings, and to receive evidence from any person who wishes to give it. This is a very important power, for it enables the Commission to obtain the views of the public on the matters which it is investigating.

is one of the most serious barriers to the development of our own native periodical literature.

The theory that Canadian publications should be granted a more favourable operating climate, without in any way handicapping any non-Canadian publication, is a delightful one that, to us, seems to be difficult of implementing in very practical form. Measures of encouragement to Canadian periodicals and measures of discouragement to outside periodicals must both be given consideration.

In our opinion, overflow is an area which must receive equal attention with the forms of inequitable competition referred to under the former two headings. A considerable reduction in the pressure and volume of such imports -- not necessarily overnight but over a year or two -- is essential if "a genuinely Canadian periodical press" is to make its full contribution to "the further development of a Canadian identity".

The Commission may have concluded - and this is certainly our observation - that United States publications in particular do not seem to regard Canada as a foreign market but rather as a very special region or section of their domestic market. American publications are almost universally distributed here by Canadian branches of the companies that distributed here by Canadian branches



of the companies that distribute them to U.S. newsstands. Subscription selling is in many cases handled through Canadian subsidiaries of U.S. subscription agencies. The same printed literature is often used to sell through the mails. Canadian prices and addresses are frequently featured in the advertising pages.

The Commission will have noted that sales of American magazines in this market, not including Canadian editions printed in Canada, are double the total sales of the same magazines in the whole of the rest of the world.

What is obviously required is a measure that will reduce the sales and promotional pressures in this market while not denying to Canadians the right to buy such publications voluntarily if they wish. Much would be achieved if any measures proposed had only the ultimate result of allowing Canadian publications approximately half of the Canadian market while allowing imported publications, plus the Canadian editions of foreign publications, to enjoy the other half. Surely that is not unreasonable.

In this area of overflow circulation we also endorse the comments of the Periodical Press Association.

There are a few other areas in which the Commission might feel it desirable to put forward recommendation.



This might be a good time for the Post Office to eliminate the anomaly that exists between local delivery rates and national rates.

It would be a good time also for the Post Office to recognize that audited controlled circulation in the business paper field is consistent with the scattered nature of Canadian industries and retail outlets, where the cost of building up paid circulation would in so many cases be greater than the possible net revenue.

The existing sales tax exemptions on materials used in Canadian periodicals might be extended, particularly to include printed material used in advertising and circulation promotion.

We would hope that the Commission would make a firm recommendation to the effect that when the Canadian government or one of its agencies addresses an advertising message to the Canadian people -- as distinct from, say, a Canadian Travel Bureau advertisement addressed to Americans -- they avail themselves of the numerous and diversified Canadian media that are available and refrain from utilizing publications that are contributing virtually nothing to the development of the national spirit in Canada.

A word about the so-called "little" magazines, and the organs of learned, literary,



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cultural and similar societies. The Canada Council now subsidizes these within certain limits that have been set forth by Dr. Bissell and Dr. Trueman. We would feel that the country would benefit from an extension of such assistance. The Canada Council can not go much further than it goes now unless it is put in possession of special funds for the purpose. It might be that the revenues from certain taxes or tariffs that may be proposed could be diverted to such a purpose, as well as to the Council's programme of encouragement to writers and artists.

Subsidy assistance should be confined to non-commercial publications. A reasonable definition of such might be one that is published by a non-profit group and that does not carry more than 15 per cent of its total content in the form of advertising. The limitation on advertising content is needed because some of the most prosperous publications are published by so-called non-profit organizations and, on a tax-free basis, are competing against private publications.

We realize that such a policy of Canada Council grants-in-aid to non-profit, non-commercial publications would provide no encouragement to the private individual or group attempting to launch a new Canadian periodical as a professional

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or business venture.

For this reason some consideration might be given to the PPA suggestion of postage-free privileges up to the limits now granted to weekly newspapers in communities of less than 10,000 population, perhaps with a time limit of five years for each publication, during which time it would have a chance to develop its roots of profitability.

We have been unable to assess the cost or benefit of any of the various proposals to the Maclean-Hunter Publishing Company Limited. We would hope that we might be able to put our magazines in a position to make a profit that would ensure their continuance and their further development as trans-Canada pipelines of Canadian ideas and information. We recognize too that the adoption of any considerable portion of them would lead inevitably to much new competition for Maclean-Hunter publications from other existing or new Canadian publications. So long as they are Canadian publications this would be good for Canada by strengthening our agencies of national communication. Whatever is good for Canada must in the long run be good for our company.



- EXHIBIT NO. 0-143: National Business Publications  
"Rebuttal"
- Exhibit No. 0-144: Assoc. of Professional Engineers of Ontario  
"Brief"
- EXHIBIT NO. 0-145: As above  
"Graduation List"
- EXHIBIT NO. 0-146: Macfadden Publications Ltd. - Brief
- EXHIBIT NO. 0-147: Macfadden Publications Ltd. Copies of foreign editions.
- EXHIBIT NO. 0-148: Periodical Press Association "Rebuttal and Recommendations".

MR. CHALMERS: Now, with respect to the so-called split-run publications I think that the suggestions that have been put forward, if adopted, would adequately deal with that and does not call for any further comment or suggestions from me.

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I go along and my company goes along with the proposals that have been put forward with respect to the so-called Canadian editions or Canada editions of non-Canadian publications.

Yesterday, Mr. Chairman, you asked me a question with respect to overflow. If I attempt to answer that question now it is not because I regard the other two phases of the problem as being unworthy of comment. I hope you will accept it as adequate comment that I say I go along with the proposals that have been made. On the question of overflow, which we regard as being of considerable importance I think that what we have to achieve, if at all possible, is the following state of affairs: the state of affairs in which the Canadian periodicals and magazines particularly are not smothered by the inflow of periodicals from other countries, and particularly from the United States, while at the same time Canadians are not denied access to any publication that they wish to read. I think that the suggestions that have been made, have been commented on by Mr. Laurin, would achieve that. I suggested the other day that the ideal situation - not really ideal, but reasonable situation might be one in which the Canadian periodicals over the turn of the next few years would begin to engage half of the market of Canadian magazine sales and the other half was left to imported publications.

I don't suggest that that 50/50 figure



has been arrived at by me in any scientific or even logical or rational manner, but I think it is not without merit. If we were to allow this free and unhampered, unhibited inflow into this country of any foreign publication up to 2% of its domestic circulation I think that is about the position we would arrive at. As Mr. Laurin said surely it is reasonable and it cannot be a subject of complaint on the part of any American publisher if the circulation he has free and unhibited of tax or penalty of any kind is equivalent to, roughly equivalent to or, in fact, in excess of the circulation that he has in the entire balance of the world.

At the present time American publications sell 1.8%, their circulation overseas, not including Canada, of 1.8%, the equivalent of 1.8% of their American circulation. We suggest something in the neighbourhood of 2% before a penalty of any kind, a tax of any kind is levied or even discussed.

What would be the result? The result would be a lessening of the pressure of sale of American publications in Canada. They would continue to accept renewal subscriptions from their present subscribers. They would continue to place their publications on Canadian newsstands. I think there would be fewer of these low-price offers coming in. There might be some lessening - there would undoubtedly be a very considerable lessening of the pressure from direct field selling organisations.



We might actually have some of these American field selling organisations either withdrawing from Canada or modifying to some extent the scope of their operations. Anybody who wants to buy an American publication will surely be able to get it within that 2% figure, but the pressure would be off, the high pressure would be off and there would be no denial of access to anybody. There would be unlimited entry for what could be regarded, surely, as a reasonable number of copies. Then, the suggestion is that over and above that level advertising content to the extent that there is Canadian circulation, that is, Canadian value of advertising content would be subject to the tariff as printed advertising matter in much the same manner in which the tax was levied in 1931.

THE CHAIRMAN: Mr. Chalmers, wouldn't you have to have a number of exemptions from a provision of that kind?

MR. CHALMERS: Yes.

THE CHAIRMAN: For example take the Saturday Review of Literature. It has a substantial circulation in Canada. Take the Atlantic. I think they have 14,000 monthly subscribers. Take the National Geographic Magazine. They have 80,000 circulation. Would you have magazines of that kind, cultural and scientific - take Harper's, the Advocate, the Saturday Review of Literature, the Reporter - I would hate to have some action by the Government





deny me the right to get one of these magazines.

How would you allocate the distribution of 2%?

MR. CHALMERS: Most of the publications to which you refer do not exceed the 2% figure very greatly. Many of them, a large number of the publications, don't exceed it at all. I would think there would be certain exemptions, but I am not dealing specifically with the ones that you have referred to because they are, after all, due to the considerable volume of advertising they carry, they are commercial institutions, the same as magazines are commercial propositions. Even the National Geographic Magazine with its substantial volume of advertising qualifies, in my opinion, as a commercial operation. I would think this would apply to them. The tax in the case of a magazine such as that would be very modest. It would be very modest because the 2% of their domestic circulation would cover most of their circulation in Canada. It is these big magazines which are treating Canada as part of the United States, part of their whole area of circulation pressure, they are the cause of this problem. It is not the small magazines.

THE CHAIRMAN: Nevertheless the situation would arise with the National Geographic having 80,000 circulation and I am assuming that is far more than 2% of its total.

COMMISSIONER JOHNSTON: I understand it has 106,000.



THE CHAIRMAN: That makes my comments even stronger. It is bought by schoolteachers. It is used in schools. This has a very high educational value. Exemptions would have to be made in the case of publications of that kind it seems to me. I mean, you are talking of Look and Life and Saturday Evening Post. That is what you are thinking of I expect, but nevertheless if you had a flat 2% rule as laid down here and it had to be applied to all magazines in the United States I think we would have a lot of objection.

MR. CHALMERS: Mr. Chairman, I would like to make it clear that I am not suggesting there be a quota of 2% of American or other magazines beyond which they are not permitted to sell copies in this country. I am merely suggesting there be a level at which there is free and unrestricted entry and only when they go past that level that they become subject to any measure designed to slow down their growth. After all, you speak of the National Geographic, we are trying to develop in this country a Canadian Geographic magazine.

THE CHAIRMAN: Not very hard according to the story they told us. They haven't got a circulation manager.

COMMISSIONER JOHNSTON: Would this increase the subscription price for Saturday Evening Post?

MR. CHALMERS: My feeling is what would happen is the American magazine would, in most cases,



simply allow their circulation to fall off to this 2%. They would stop putting on their pressure, but that 2% would allow the Saturday Evening Post to meet every order they are going to get. It is not the voluntary sales of these magazines, it is the highly promoted, well promoted sales of these magazines that gave them these very large figures.

COMMISSIONER JOHNSTON: This 1.8% of foreign circulation of U.S. magazines now, does that not include the Russian circulation of the Saturday Night?

MR. CHALMERS: The 1.8% is the average of all magazines. I don't have figures on individual magazines. This 1.8% - let me make this statement absolutely correct, if you don't mind. The foreign circulations of the United States magazines whose figures are available to us because they are published in the Blue Book of the Audit Bureau of Circulation, and not including their circulation in Canada is equivalent to 1.8% of their domestic circulation - total circulation.

COMMISSIONER JOHNSTON: What I am getting at, they have practically no circulation in places like Russia and China so their percentage in Canada justifiably might be considerably higher in Canada.

THE CHAIRMAN: Geography enters into the whole thing.

COMMISSIONER JOHNSTON: Geography and the language of the people.





MR. CHALMERS: Geography enters into it. Geography enters very greatly into the problem with which we are dealing.

THE CHAIRMAN: When you are dealing with these percentages of their foreign circulation, surely you must take into account the language and the geography. You can't go into the rest of the world and say that is all they have got here. Here is a country lying alongside of the United States and with the same language, and surely this is not a comparison at all that you can base any sensible conclusion on.

COMMISSIONER JOHNSTON: Newsweek were before us and speaking from memory I think they said that it was  $4\frac{1}{2}\%$  of their total circulation.

MR. CHALMERS: I think we had higher figures this morning from Mr. Dworkin, 4.2 for this publication.

COMMISSIONER JOHNSTON: That was the Macfadden Press. Newsweek said they didn't try to increase their Canadian circulation beyond that percentage.

MR. CHALMERS: 4% is approximately what it is now on the average.

COMMISSIONER JOHNSTON: Time's is approximately 10%; is that correct, 200-odd thousand?

MR. CHALMERS: I don't know their American circulation.

COMMISSIONER JOHNSTON: It is over 2,000,000,



2½ million and their Canadian circulation is 230-odd thousand.

Now then, an old friend of mine who reads Time - I said, "Do you read Time?". He said, "It is my Bible". If this Royal Commission takes his "Bible" away from him I am going to be in trouble.

MR. CHALMERS: We are going to reach the position where, if we deal with Time Magazine in exactly the same position as we deal with the Bible, I think we are going to have some difficulty establishing a sound periodical press in Canada.

Let me read some figures I worked out this morning which are based upon the figures supplied to you by the Magazine Publishers' Association of the United States. In the period from 1950 to 1960 the gross in circulation, the total circulation of United States magazines according to Mr. Robert E. Kenyon's figures submitted to you is 20.3%. The Canadian overflow circulation of U.S. magazines excluding Reader's Digest and Time in the same period was 44.2%. The gross of circulation of Canadian magazines in this period was 9.1%.

I think you will see from these figures as well as from a great deal of evidence that has been placed before you that the relative position of the Canadian periodical press in competition with the overflow circulation as well as in competition with Reader's Digest and Time has deteriorated very considerably.



It is my contention and I think I attempted to say this yesterday, that if we are going to create this atmosphere in which a genuinely Canadian periodical press can thrive, we have to deal with this problem of the parasitical split-runs and we have to deal with this problem of the Canadian editions of the American periodicals; but, we must also have some regard for this problem of overflow circulation and I am afraid, Mr. Chairman, that I do not see any way in which that particular problem can be dealt with unless there is, in some manner, direct or indirect, a lessening of the pressure by the United States publishers on this market.

You can utter a profound plea to the American publishers: "Don't push your magazines so heavily in Canada. Think of Canada as a foreign country, not as part of your own market. Give the Canadians a chance." How much influence would that have on them? Not a bit. You have got to deal with this problem in some way and what we are trying to suggest to you is something that does not deny the Canadians access to use those brains that we have heard over and over again; does not deny Canadians access to the publications of their choice, wherever published. It seems to me that something of this character is reasonable. After all, in 1931 the Government of this country did impose a tax on practically all of them. I say "practically all of them" because there was some exemption for publications





of a scientific, educational, cultural, artistic, professional character when they did not carry more than a certain volume of advertising, and I would certainly expect that any government that adopted any such recommendation would again make exemptions of a similar character.

COMMISSIONER JOHNSTON: Why didn't that law continue?

MR. CHALMERS: That law did not continue because the Government that introduced this law was defeated and a new government came in. I suppose the same thing applies to the tax of 1956. The Government that introduced it was defeated and a new government came in. Now, this has nothing to do with politics, because in one case it was the Conservative government that introduced it and who were defeated by the Liberal government, and in the other case...

COMMISSIONER JOHNSTON: Mr. Chalmers, you can't say this has nothing to do with politics. Mr. King did not like that tax because it was unpopular.

MR. CHALMERS: I beg your pardon. My statement has nothing to do with politics. I was trying to demonstrate that it had nothing to do with politics because in one case it was the Liberal government that took over the Conservative regime and in the other case, it was just the opposite. So, we can't prove that there is any political feeling one way or another on this, from the historical record.



COMMISSIONER JOHNSTON: Do you think that the Government might introduce one or the other of the old taxes, the old restrictions? The recommendations that this Commission makes, surely, must be practical, politically, as well as economically and culturally, if I may use that word.

MR. CHALMERS: I have not proposed that there be any tax placed on all incoming magazines. I have merely suggested that if there is to be any sort of control, whether it be tariffs, or taxes, or any other way on the inflow of publications, that it be only on the portion that exceeds what might be a reasonable quantum of imported...

COMMISSIONER JOHNSTON: Supposing these two intruders -- that was the word used yesterday -- that they stopped publishing in Canada, or so-called Canadian editions, and that resulted in a better and newer growth or development of Canadian magazines -- strictly Canadian magazines -- don't you think that the Canadian magazines might be in a better competitive position in selling their circulation to the Canadian people?

Now, as a young man, a boy, I remember Saturday Night as a very high-grade magazine. I enjoyed it very much. It could hold its own against the invader, the intruder in this market, circulation-wise.

MR. CHALMERS: When you were a boy, and until you were a grown man also, the circulation of



Saturday Night was in the range of 20 to 25,000.

COMMISSIONER JOHNSTON: That is right.

MR. CHALMERS: Well, in April 1939, the Canadian Magazine published its last issue and they stated the reasons why they had to go out of business and at that time they indicated what their problems were. Here is the statement, if you want to read it. Do you want me to file this statement on why Canadian Magazine went out of business? The problem was foreign competition in 1939. This was here. We had Reader's Digest and Time and the overflow circulation was...

COMMISSIONER JOHNSTON: I am trying to find out if you could live, or a Canadian magazine could live with the overflow circulation, or whether its problem is going to be just as great without Canadian editions as it is now with the Canadian editions?

MR. CHALMERS: The problem is not going to be as great without Canadian editions; but, whether the amelioration of the difficulties will be sufficient to ensure the development of many of the smaller magazines that are now suffering, and the establishment of new magazines is the question that we are discussing, and it is my opinion, based on quite a bit of living with this problem and living with it pretty closely for a good many years, that there must be a reversal or a stoppage of this trend, as shown by these figures where the





Canadian overflow circulation of American magazines, in ten years, grew at more than twice the rate that their total circulation grew in their own country. This is excessive pressure on Canadian -- I am sorry. I withdraw that word "excessive". These figures seem to indicate excessive, but I said yesterday that I do not regard this as excessive pressure. No. What was the expression? This is being taken down, so I have to be careful. I do not think that they are putting any greater effort on selling in Canada than they are putting on the selling of magazines in their own country. These figures seem to deny it.

COMMISSIONER JOHNSTON: Would the restriction on the mail order efforts -- I have got one in front of me here -- six month's Reader's Digest free, that might just as well have been some magazine that has no Canadian edition, if this is a matter of postage or printing, customs duty, some advertising matter. If that were enforced, would that help you?

MR. CHALMERS: I think that Mr. Laurin discussed this question of restoration of the tax that was formerly imposed on pieces of direct mail, printed matter coming in from the United States, but we feel that this would be helpful. We feel also that an adjustment of the present inequities in respect of postage would be helpful. This probably is something that requires to be negotiated by the Government with the United States Government to ensure that the Canadian Government gets something



out of the carrying of this enormous tonnage of U.S. second-class mail. Presumably, if Canada did not have this loss of \$7,000,000, to which Mr. Laurin referred, if they were able to negotiate with the United States Post Office, a terminal arrangement which would cause the United States to accept some of that charge, the United States Post Office would probably seek to pass that on to the American publisher and there might be, on the part of the American publisher, due some to the establishment of balance and equity in the postal picture -- there might be an increase on the part of the American publisher in his postage rate to Canada. But, surely, this is simply taking the load off the Canadian taxpayer. I think postage is an area that is definitely worthy of consideration.

COMMISSIONER JOHNSTON: Why have they increased their efforts in Canada to a greater extent than in the United States? Do they think that this is an easy market to get to, or has the mail order, the subscription business improved to the point where they can get more from Canadians than they can their own people; or, is this a temporary thing?

MR. CHALMERS: Well, from 1940 to 1960, a 20-year period, the increase in circulation of United States magazines, total circulation, was 90.1%. The increase in Canada, excluding Reader's Digest and Time, was 144.9%.



THE CHAIRMAN: What was the increase in the population of Canada in 20 years - what percentage?

MR. CHALMERS: Not materially greater than the increase in population of the United States.

COMMISSIONER JOHNSTON: In people?

MR. CHALMERS: In people.

COMMISSIONER JOHNSTON: Not percentage?

MR. CHALMERS: I beg your pardon?

THE CHAIRMAN: You are dealing in percentages and I am asking you what was the percentage of the growth in population in Canada during that same period?

MR. CHALMERS: I am sorry, I don't know that. But, I think that my answer is pertinent. I was comparing the increase in the United States magazine circulation, over a 20-year period in their own country and in Canada, and I say that the increase of population in Canada during that period, the percentage of increase in the population in that period was not materially greater than the percentage of increase of population in the United States in that period.

COMMISSIONER JOHNSTON: I think you should check that figure because I think we have grown faster, percentage-wise, than they have.

MR. CHALMERS: That is right, but not materially. I think that the increase in population in Canada each decade is about equivalent to the population of the State of California.





THE CHAIRMAN: Do you think that with any increase in postal rates on a matter of this sort, that Reader's Digest and Time, in the light of their balance sheets that we have seen, would be deterred from paying the increased rate?

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MR. CHALMERS: I think that is, ~~if~~ I may say so, not a good example because I am quite certain that that piece was printed in Canada, produced in Canada, mailed in Canada to sell magazines that are printed in Canada. I was referring to magazines that are printed, produced, edited and published in the United States. I am sure you will find that has a Canadian post-mark on it.

COMMISSIONER JOHNSTON: Four cents Canadian postage included -- for my use, I think.

MR. CHALMERS: May I go into this matter of ownership?

THE CHAIRMAN: Yes, indeed.

MR. CHALMERS: With this matter of ownership, I think the question of ownership --

THE CHAIRMAN: Now you are rebutting the Commission, are you?

MR. CHALMERS: No, I am not. I wish to supplement the thoughts put forward to the Commission and which may help the Commission. I am not challenging the suggestion that one approach to this problem to require Canadian ownership or at least control of any publication enjoying certain privileges that are afforded by the Government of Canada and the taxpayers of Canada; such as second class bulk postal rates, exemption



from sales tax and perhaps some other privileges that are accorded by the people.

I am merely suggesting that an ownership requirement by itself is not enough. An ownership requirement plus a content requirement is, in my opinion, required because I think the example that was given by Mr. Laurin indicates how this thing can be handled.

It would be very simple to licence a Canadian printer or a Canadian owned company to utilize this entire editorial content that has been created and to licence it at quite a substantial fee.

Maybe the fee -- I think Mr. Laurin went a little far when he suggested the fee should be 99.9 per cent or something like that of the profits. It would be a very good deal for the foreign publisher if he had to charge royalty equivalent to half of the profit. Let the Canadian made half -- the 100 per cent owned Canadian company make half of the profits and share half of the profits with the American. This would probably be a very good deal.

We have today a witness sitting here who said that his publications are licensed on a royalty basis in the United Kingdom and some other countries. Why do we not ask him the nature of





such a royalty arrangement? We have the man in the room who does it and knows the answer.

I just think that licensing under a royalty arrangement would be a too easy escape from your ownership requirements or if you want ownership requirements let us have it. Let us button it up with this other very necessary requirement.

THE CHAIRMAN: I don't think, sir, you are aware of everything that is in the mind of this particular Commissioner about ownership.

MR. CHALMERS: I am sorry.

THE CHAIRMAN: When you are rebutting, you are rebutting in the dark.

COMMISSIONER JOHNSTON: Mr. Chalmers, what bothers me a good deal about this situation is that if the Government in its wisdom goes along with most of your recommendations in the Periodical Press, there will be some people say that this affects Maclean-Hunter Publishing Company more than anybody else. I don't think in your interests that that situation should arise.

You have a reputation for being a very aggressive and very successful publishing company and various other people have not been successful. Now, I think in most cases it is the fault of management. I have seen over the years



few faults in the management of your company, but I think that we must be very careful that we are not accused of permitting a monopoly.

That is something to which you should give most serious consideration and so must the Commission.

I have had this coming into my mind for some weeks now and I hope you don't mind me saying it.

MR. CHALMERS: No. I thought I had dealt pretty thoroughly with that earlier in January before the Commission. I thought I had dealt with this pretty thoroughly yesterday. I am afraid that it is inescapable that if this Commission makes certain recommendations which are calculated to improve the climate of magazine publishing in this country -- that if the Government adopts such recommendations in whole or in part -- that Maclean-Hunter Publishing Company will be a beneficiary.

It will probably be one -- well, it will certainly -- depending on the nature of the measures that are taken, Maclean-Hunter Publishing Company is bound to be a beneficiary.

We might conceivably reach -- attain a situation in which Maclean-Hunter Publishing Company would no longer require to subsidize the publication of its magazines. We may even reach the stage where Maclean-Hunter would break



even on their magazines. They might even reach the stage where Maclean-Hunter might make a profit on magazines. I would hope so.

COMMISSIONER JOHNSTON: That is no sin.

MR. CHALMERS: I am delighted to hear that because from coast to coast in Canada it seems to me it has been suggested if Maclean-Hunter made one dollar on the publication of its magazines this would be anti-social and something against the national interest. I have got a little tired of listening to this from coast to coast.

Let us make money on our magazines. Don't stop at that. Don't send -- I am preaching again, and I shouldn't.

I do beg of the Commission -- I do beg of the Commission to seek to establish a basis which will last for a generation. A climate in which we can have more publishers and more magazines, more people trying to put Maclean-Hunter out of business. If they succeed, all power to them -- if they are Canadians with a sense of dedication who are doing it.

THE CHAIRMAN: Judging from what has happened in the past, we can only do it until some new Government gets in.

MR. CHALMERS: I deliberately said "for the next generation". I think and I am sure





that both the Liberals and Conservatives wish that something could be done with this which would not have to be undone by another Government.

COMMISSIONER JOHNSTON: I wonder, Mr. Chairman, if I could just ask one or two questions on a few points and get down from this oratorical plane in which we have been for the last 15 minutes.

I might remind Mr. Chalmers he is not the first Chalmers who was a good preacher.

Perhaps Mr. Laurin could answer this question. On page 5 of the Periodical Press brief there are some figures, percentage of cut-rate subscription, Reader's Digest. I do not see that you put in the source of those figures. Where did you get your figures?

MR. LAURIN: Reader's Digest A, B and C statements.

COMMISSIONER JOHNSTON: I have been taught to believe in the ABC's. Now then, Mr. Laurin, I think it was yesterday or a day or two ago I asked one of the gentlemen how many advertising salesmen they employed in Canada. I think he said about 12 or 13. How does that compare with Maclean-Hunter?

MR. LAURIN: I think about the same.

COMMISSIONER JOHNSTON: These grocery magazines bother me a bit. Women's Day, Every



Woman's Family Circle -- their total circulation in Canada is 700,000. They come in duty free. Is their editorial content comparable to say the editorial content of Chatelaine?

MR. LAURIN: No, because it is not Canadian. I think I described my feelings on this once before, Mr. Johnston. I think they are both well done in their field. I have no objection to their form at all. I don't think there is anything wrong with them except that if you compare them directly with Chatelaine; Chatelaine tries to and does serve the Canadian woman as such. That is the only difference.

COMMISSIONER JOHNSTON: Would you say it would be fair if the entire magazine was to pay duty on its advertising matter?

MR. LAURIN: I think the best way of answering that is to refer to the evidence of both gentlemen in question, particularly the last one. I think it was Women's Family Circle where it was brought out most eloquently as to the value of advertising content of that particular publication to the subsidiary companies of the parent advertisers, who are operating in this country, that it is an extremely good, according to them, merchandising vehicle for products that are common to both countries -- this overflow advertising.



COMMISSIONER JOHNSTON: Is the reading material just something to fill in around the ads, as we used to say?

MR. LAURIN: I don't think so in that case, no. I think they contain a substantial amount of excellent material that is of high interest. I have no objection to this. I do object to being capitalized on it to reduce the advertising dollars available to Canadian publications.

COMMISSIONER JOHNSTON: You mentioned a tariff on books? I wonder if we don't pay certain customs duties because we always have? An imposition of custom tariffs on magazines, whatever form it is, would strike the Canadian people as being unfair and unreasonable.

MR. LAURIN: Well, if it is because we always have had it, I think there has been precedence, sir. If you will refer to tariff item 184 you will find a lot of magazines today are subject to 25 per cent tariff if they come from a country that is not either British or most favoured. That is in the books now, has been for a long time.

COMMISSIONER JOHNSTON: There are very few --

MR. LAURIN: There will be very few countries outside of it. I looked them up, but the precedence is there.





COMMISSIONER JOHNSTON: In practice there is no third column in that tariff.

MR. LAURIN: No.

There is one point about overflow I would like to mention. I won't be too long on it. It will only take a minute.

This has arisen because no mention, other than a brief mention in my presentation, has been made of the Canadian manufacturer. This is a completely and utterly improper situation and I am concerned with it. I have studied this in great depth now for the past many months.

I can't help but have the feeling that the overflow of advertising from the United States into Canada in all its forms, not just periodicals in all its forms, has been a material factor in the hastening of the swing of ownership of purely Canadian firms to become subsidiaries of American firms. I think the pressure of the advertising has done that.

We heard from Dominion Electrohome; how Admiral has pre-sold the Canadian market before they moved in.

Now, if I were to start a firm in Canada manufacturing left-hand "whichits" I would have to start it as the Laurin Whichit Company, and no one had ever heard of me.



If it had been started south of the border and been advertised in the overflow of U.S. publications you would start out with national distribution virtually overnight. I am thinking of several firms but I don't think I should mention names because perhaps I would pick one that was completely unfair, but I cannot help thinking of Canadian Cannerys. I cannot help thinking of Moffatt's, people like this. I am sure that overflow had a distinct effect on those.

Now, you are not in looking at overflow just looking at Canadian periodicals. I think you are looking at a very important phase of the Canadian economy. The suggestions that have come forward and upon which the Periodical Press has commented -- of course I am not in the position as President of the P.P.A. to give you an association firm recommendation because you cannot have 150 people all agreeing on a point as contentious as this.

My personal feeling is this that the way in which to deal with overflow is tariff item 178 as imported advertising material.

Now, I don't like a word that has come up twice during the course of the debate in the last little while, "quota".

The feeling I have is that advertising entering Canada by whatever means should be dutiable



and that exemptions could be granted up to certain limits of flow. That is the way I feel about the 2 per cent thing. If you put tariff item 178 into effect on foreign advertising and have an exemption put on to that.

Another question was asked: "Will this increase the per copy price of magazines?" I am not saying I am against it because I think if it has to come to that for the sake of the country it has to come to that. However, in attaching this under the value of the advertising entering in such periodicals with suitable exemptions to types of periodicals and in the quantity of all periodicals comes closest to arriving at this situation without imposing an extra cost on the price of any American magazines.

I want to make it quite clear. The Periodical Press -- and this is one thing we do agree on, would not submit for a minute to the prohibition of publications which I think was what was felt by everybody when it got to the 2 per cent. You couldn't get any in. That is not the case at all. Above that level it costs money. Why does it come above this level -- because of sales efforts -- why the sales efforts? -- Because total circulation when Canada is brought into the picture applies to the total advertising rate.

We heard from Macfadden's this morning





telling about the rat race for circulations down there. We are getting the backwash of it.

THE CHAIRMAN: I think we will adjourn now until 2.15 p.m. this afternoon.

---Whereupon the Commission adjourned at 12.30 to resume at 2.15 p.m.



--- Upon resuming at 2.15 p.m.

COMMISSIONER JOHNSTON: I just have one or two questions. I am going to direct one to Mr. Laurin, as president of the Periodical Press Association. That is, what does he think of the probabilities of magazine monopoly in Canada?

MR. LAURIN: Mr. Johnston, obviously during the course of these hearings I have heard this question of monopoly raised many times. I have heard Mr. Chalmers reply to it. Being a member of that firm I know the feeling of the firm. I know from within, the present policies of Maclean-Hunter, its directors, management and board of directors, the last thing in the world they want is a monopoly. It seems to me that the problem in your mind goes a little deeper than that. If the Board should be changed in the period of the years to come and people interested solely in high profits had control it might make a little difference. I think we should perhaps look at this from a business point of view.

The way it stands right now Maclean-Hunter through its policy over the period of years has developed what you have found out, a strong company able to support these magazines. Others that have had less diversified interests have been less fortunate.

Now, if the present situation maintains, if the present competitive situation, the present



climate is maintained, in my opinion and I am talking now as an individual, the chances are pretty great that Maclean-Hunter will be a monopoly in the magazine field, not because they are seeking it at the present time at all, but simply because they have had the strength to carry on where others **have** not.

Now, if the climate changes there are other publications in Canada today who would find it, let us say, substantially easier to get adequate financial backing, adequate support to develop themselves and develop themselves very fast. I would be very much surprised if this Commission brings down a recommendation which the government accepts which provides a better climate for magazine advertising, magazine publishing in this country, I would be very much surprised if Maclean-Hunter wasn't within a period of eighteen months to two years in a very much heavier competitive situation vis-a-vis Canadian magazines as it is today. I would think that situation would continue and develop over the years to come if the climate is provided. If it is not provided, I would say in my personal opinion that the chances of Maclean-Hunter becoming a monopoly in the magazine field within 18 months are **excellent** unless some release is found. That is my view of it as an individual, sir, and I happen to know I am speaking as president of the P.P.A. as well. I know that the people in P.P.A. other than Maclean-Hunter people in P.P.A. with whom I have





discussed this feel this way and people I have talked with as I followed the hearing feel the same way.

COMMISSIONER JOHNSTON: Is what you are saying that the chances of Maclean's monopoly are greater if nothing is done than if something is done?

MR. LAURIN: If nothing is done, and far from possible if something is done.

COMMISSIONER JOHNSTON: Now, just one thing. Mr. Beaubien has looked over Paris Match and he says from the appearance of it it has two pages of material of interest to French-Canada, French-speaking people in Canada, but it is part of their regular publication. It is split-run.

MR. LAURIN: That is not correct. I cabled France. These pages did not appear in the French edition.

COMMISSIONER JOHNSTON: That is fine.

MR. LAURIN: I cabled to find out. Those didn't, and apparently the intention is not to. This is so new that I haven't been able to give it adequate research. I would suggest the Commission research it within the next few weeks. I would say there is absolutely nothing wrong with it in my opinion. There is no advertising solicited, no advertising carried. This is the way some of the others have started, and I wanted to bring it to your attention.

COMMISSIONER JOHNSTON: That is all I have.



THE CHAIRMAN: Thank you very much, gentlemen. I am interested in the economic consequences of foundation garments, but I am afraid you may take too long to explain it.

MR. QUINN: Mr. J. L. O'Brien.

REBUTTAL SUBMISSION OF  
READER'S DIGEST.

Appearances: Mr. J.L. O'Brien

Mr. E.P. Zimmerman

MR. O'BRIEN: Mr. Chairman, my name is John L. O'Brien. I am a lawyer. My residence is in Montreal and when I am allowed to stay there I practise there.

I appear today in my capacity as counsel for Reader's Digest Association (Canada) Limited and Selection du Reader's Digest Limitee. With your permission I will sit down.

For reasons which I explained to the Secretary of the Commission some time ago I haven't filed any written submission. The reasons are briefly that I **intend** to review in summary some of the salient points that have emerged to the hearings of the Commission. I felt this could not be done properly until I had followed the evidence through all the hearing. I have, in consequence, prepared some notes in **the** form of memory joggers and I may have occasion to present to the Commission a few exhibits to supplement my oral submission.



May I say that inasmuch as you have  
nothing in writing from me I invite any interruption.  
It will be hard to remember everything I have said.  
I think I can answer most of the questions put to me.  
If I cannot I will seek advice.

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Now, as I said, sir, and members of the Commission, I appear on behalf of Reader's Digest and, to the extent possible, I shall limit my remarks to matters pertaining solely to my client. In consequence, it is not my intention to direct my remarks particularly to other matters of interest to this Commission and which have been introduced under terms such as "overflow", "split-run" and the general question of special Canadian editions, as distinguished from the special position of Reader's Digest.

Although, as I said, I intend to direct my remarks to the situation of my client alone, I may say that, notwithstanding this, I have a dual task. First, I hope and expect to be able to convince the Commission of the justice of my client's position and, second, I am hopeful of convincing a somewhat more indeterminate group concerning the validity of the methods used by Royal Commissions in Canada.

Royal Commissions, even in Canada, are confused very frequently with other judicial bodies and below the border where there is, naturally, great interest in these proceedings, such Commissions are unknown. About the only comparison below the border might be a Congressional Committee and the expression of views of members of these Congressional Committees may be expected



by the public to have a political tinge and to express and advance the convictions, or prejudices which are frequently not subject to change, whatever evidence is offered.

The rather informal atmosphere of the Royal Commission in Canada, with a frequent interchange of views, is such as to lead many informed persons to the conclusion that the matters under consideration have been pre-judged and, for that reason, with your permission, Mr. Chairman, I would like to repeat a statement which you made in Vancouver. I do not intend to quote all of it. At Volume 6 of the transcript, at page 12, and I omit certain phrases which are not pertinent, you said: "We have no intention of making up our minds before all the evidence is in, and we hope that the participants here will understand that." Well, sir, and members of the Commission, the evidence is effectively all in and the time has come to appraise it and to determine what recommendations should be made.

Mr. Chairman, I do not intend to repeat what Mr. Zimmerman said here a few months ago when he appeared as President of the Reader's Digest. May I, however, in summary, recall to your minds a few of the basic facts related to Reader's Digest.

Every month in Canada, some 1,100,000



or more citizens buy and pay for Reader's Digest and, according to an established method of calculating these readers, this would mean that every month some 4 million Canadians are readers of Reader's Digest here.

I intend to deal with the question of subscription prices later in more detail, but I wish to note simply in passing that the 1,100,000 persons who buy Reader's Digest in Canada, on the average, pay more for their copies than they would have to pay for any other magazine having a large circulation in Canada. It has the largest circulation in Canada of any magazine for which a public has conscientiously to subscribe and pay for. Now, in the world-wide sphere, Reader's Digest has a monthly circulation of some 21 million copies. There are 29 editions in 13 languages circulating in some 100 countries in the free world. On the same basis of estimated readers, it is estimated that some 70 to 75 million in the free world are readers of this magazine every month.

The members of the Commission will recall that on page one of the appendices to the submission originally filed by my clients with the Commission a few months ago, are given the details of the foreign editions published and the languages in which they are published and the circulation of each.





But, briefly, there are eight English editions, five editions in Spanish, four in French, three in German, one in Portugese, one in Swedish, one in Finnish, one in Danish, one in Japanese, one in Norwegian, one in Italian, one Dutch and one Nordic.

Of the 21 million monthly subscriptions, some 58 per cent are found in the United States, or approximately 12 million copies. The other 42 per cent are spread throughout the world. Over one million copies are sold in Britain, one million in France, almost a million in Germany and over half a million in Italy. Within the Commonwealth, apart from the circulation of over one million in Canada, over one million in Britain. Subscriptions are over 400,000 in Australia, 145,000 in South Africa, 75,000 in New Zealand, 72,000 in India, all of which have their own editions. The edition printed in Japanese has a circulation of 385,000 and that in Swedish, 280,000 and there are large circulations throughout South America.

Now, sir, I would like to say a brief word about the nature of Reader's Digest and particularly to state what it is not.

It is neither a news magazine nor a magazine of opinion, nor, in the common acceptance of the phrase, can it be said to be a topical



magazine. It consists of material which is sought and used with the full consciousness that that it is intended for an international audience.

While it is true that over half of its circulation is found in the United States, it is not surprising that the country with the largest literate population in the free world should have the largest circulation. However, the percentage of subscriptions emanating from the United States is constantly going down. Or, perhaps it would be more proper to say that the percentage of subscriptions emanating from other parts of the free world is constantly going up.

Reader's Digest, for a long period of time, neither sought nor would it accept any advertising. However, the consequence of rising costs which have had to be faced by many industries, and which have had a serious effect on the Periodical Press in Canada was also felt in great measure by Reader's Digest and, progressively, over a period of approximately the past decade, it became necessary not only to accept but to seek advertising.

As distinguished from almost all other publications, however, Reader's Digest also increased its subscription price. Surveys indicated that as



compared with repeated increases in the subscription price, advertising would be preferred by its readers.

Now, coming more particularly to the Canadian edition, it is clear that Reader's Digest was not first printed in Canada because of the opportunity to seek advertising here. From 1943 on, facimilies of the U.S. edition were printed in Canada, without any advertising whatsoever, and this continued for a period of about six years. The first advertising sought in Canada was for the French edition, Selection du Reader's Digest, the preparation and printing of which, in this country, would not have been economically feasible without the acceptance of advertising.

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It is worth noting as did the Massey Commission that Reader's Digest was then the only national publication in Canada that was available in their own languages to both French and English population, it was a position unique to Reader's Digest for a long period of time and indeed until the last two years.

I say this and I reiterate this with the knowledge that it can be and probably will be checked against the statement made by the representatives of Weekend yesterday that **there were** many many of these national publications in both languages.

It is rather interesting to read the list of other national publications of both languages in Appendix H to the submission of Weekend yesterday. I am not going to go through all of them but typical is the newspaper The Messenger of Lachine, Quebec, a national publication in both languages. There is the newspaper in Seven Islands, Quebec. I think perhaps they missed something there. They could have given that an international flavour by some of my very good clients. They built up Seven Islands, the Iron Ore Company of Canada and some **cf** their officials are in Cleveland. No doubt some of them have taken back copies of this paper to Cleveland from time to time.

The thing that interests me, as a lawyer, one of the books **shown in** both languages is "La Revue Legale". Now, that is an old and respected



legal journal in Quebec which reports judgments and for a time also published legal articles in the last century and it publishes the judgments in the language in which they are rendered and prints the articles in the language in which they are rendered. There was never any attempt to duplicate one by the other.

I must confess that in the search to find that we were wrong in the statements that were made that we were the only national journal that did this - the only national periodical, my friends missed something. They could have found the Superior Court Reports in Quebec and the Court of Queen's Bench Reports which are also in the language in which they are written. There is the Practice Reports, La Revue de Jurisprudence down there. I am surprised if they wanted any more why they didn't pick up the Criminal Code and the Revised Statutes of Canada.

Now, sir, the only publication mentioned in there which ever had what might be called national circulation was that under the name of New World or Nouveau Monde. They ceased publication in 1948 before the time of the Massey Commission and before the time to which I am referring when we were publishing the Canadian edition as the only one in Canada.

Sir, I remember when I was working on the re-write desk of the Montreal Standard under that esteemed editor, Mr. Yorston, I feel he would have turfed me out if I had allowed that list to be



published as a list of national publications.

Now, the reasons which impelled the inclusion of advertising in the French edition in Canada soon required the same acceptance for the English language edition in this country and before many years the acceptance of advertising for the United States edition. As I said I intend to deal with subscription rates later but again I say in passing that if Mr. Laurin's submission of the experience of other Canadian periodicals is correct then Reader's Digest in Canada and likewise in the United States would appear to be the only publication that demands reader acceptance to the extent that it insists on subscription prices which will yield sufficient revenues not only to cover promotional and fulfilment expense but to provide a substantial margin in addition.

I shall have occasion to show the importance of this fact. The figures in this respect are in the hands of the Commission and are available for checking.

Now, as I said, sir, the editorial material in the world-wide editions of Reader's Digest is garnered with the knowledge it is intended for an international audience and that in the various editions in which it will be used, it may not appear concurrently and indeed it may be used in one at a much later period than that in which it appeared in another. The editorial material so provided is





likewise drawn from many sources. In this respect Canada is particularly fortunate. With approximately 5% of the world's circulation in this country an adequate percentage of material drawn from Canadian sources or relating to Canada has been used. For instance, in 1959 some 17 articles appearing in Reader's Digest were drawn from Canadian periodicals and some further 10 articles related to the Canadian scene.

Now, when Reader's Digest first started up its operations in Canada the know-how had to be provided by members of the world organisation with the required experience. Progressively however a Canadian organisation was trained; Canadian officers chosen, until at the present time when there is an all-Canadian staff and executives.

The next step was the choice of Canadians for the Board of Directors, which has also occurred progressively and of which I am proud to be one.

Now, with the staff of the Canadian company office approaching the 500 mark, it is estimated that employment for over 1,000 persons is provided in Canada by our operation.

The expenditures on the magazine operations alone are over \$6,200,000; in fact, over 90% of these operating expenses are spent in Canada.

Now, to indicate some of the additional values to the Canadian economy which arises from the



location of the Canadian edition of Reader's Digest here, I shall only point out one. By reason of the association of the Canadian edition of Reader's Digest with the Canadian Fine Paper Industry; not only have almost the total requirements of the Canadian editions being acquired in Canada but arrangements were long since made for the Canadian paper companies to provide editions of the Digest in other parts of the world with the same paper. The paper used in the Canadian editions for text and advertising is known, I think, as Thrift-cote Enamel and that used for the covers is known as Beaver-cote.

For example during the period from 1955 to 1959 inclusive, the Canadian Fine Paper Industry exported to other editions of Reader's Digest 5,590 tons of paper in the case of Thrift-cote enamel paper.

These exports accounted for approximately 23% of the total Canadian export of this type of paper.

Another measure of the size of these exports is that their total during this period from 1955 to 1959 will represent approximately 140% of the current annual requirements of the Canadian edition.

I think it could be said, sir, that Reader's Digest has made a sincere effort to make as great a contribution as possible to the Canadian economy.

Mr. Chairman, I believe that this is a



record of which any other Canadian subsidiary of a foreign corporation would be justly proud. It appears, however, because this effort on the Canadian scene has been accomplished in the publishing industry that it is somehow suspect. A suggestion is made that somehow we are underselling other periodicals on the Canadian scene. The manner in which this underselling has been accomplished has been left largely vague and we are to an extent forced to speculate concerning the areas in which this underselling might have occurred.

As I understand it the most common complaint that there is in respect to what is commonly known as dumping flows from the fact that goods manufactured on the foreign scene are brought across the border at prices below their real value and sold in Canada at prices below that possible by manufacturers of goods in this country.

I have not, up to the present time, heard the term "dumping" applied to the sale of goods of superior quality at prices equal or higher than those charged in their country of origin that is demanded by the Canadian producers.

The only two areas in which underselling could occur by Reader's Digest would be in respect to its circulation rates or to its advertising rates. I would ask the Board to bear with me while I briefly examine these.

Perhaps it will be necessary to follow this





to look at the appendices which we originally filed. I have asked Mr. Saunders, who is with me, to give you some copies so that the statements I am making can be checked.

If the Members of the Commission would be good enough to turn to page 59 of the appendices to the original submission by Reader's Digest the remarks which I intend to make will perhaps be understood more clearly. There is some suggestion, as I understand it, throughout some of these proceedings that the subscription prices shown for the various publications is of no importance primarily because due to promotional efforts by the periodicals, these prices are not maintained.

Let me explain. All periodicals use promotional efforts to enhance their circulation, as I shall have occasion to comment later. Very often the extent and cost of these promotional efforts may mean the difference between success and failure of a periodical. For the moment I wish to relate the cover prices shown on the periodicals to the potential revenues of these periodicals.

As I mentioned, by page 59 of the appendices we see the price per copy for instance of each of the periodicals of certain well-known Canadian periodicals and the price per copy by subscription and also an important point in the last column, the price per copy at the lowest price allowed by the Audit Bureau of Circulation, if the circulation is to



be included.

If we **except** Mayfair which, in 1959, had a circulation of under \$10,000, it will be seen that the price per copy on newsstands of Reader's Digest was the highest of any of the periodicals with substantial circulation - well over twice or three times the price of other periodicals with a total circulation ranging from 400,000 to a million copies per issue.

Now, the newsstand price is of importance only in relation to the number of individual copies picked up on the newsstands voluntarily by the purchasers.

In the ordinary course, in the absence of unusual promotional efforts, newsstand price is maintained but if we turn to page 65 and 66 of these appendices it will be seen, coming down the line on page 65, that between 6 and 7% of the total circulation of Chatelaine, for instance, was newsstand sales.



I go to page 66. We will see that Maclean's had roughly 8% newsstand sales. I am calculating these percentages myself, but I think they are exact from these figures. If you get down to Reader's Digest you will see Reader's Digest had roughly 17% of newsstand sales. Now, if you come to the top line of page 66 you will see that Liberty had a very high proportion of newsstand sales with its 10 cent price, perhaps indicative of the fact that newsstand sales can be promoted in Canada in competition with American magazines.

It is when looking at the price per copy by subscription that the real importance of price appeared. I would ask you to turn back again to page 59. The price per copy by subscription will be seen in the second column of that page. Taking the periodicals with the largest circulation we see that Reader's Digest is \$4 a year or 33 cents a copy. Chatelaine is \$1.50 a year or 12½ cents a copy. Liberty is \$1 a year or 8.3 cents a copy and Chatelaine is \$3 a year or 11½ cents a copy. The importance of these yearly subscription rates is that the Audit Bureau of Circulation will not recognise any subscriptions secured at a rate less than half of the published subscription rate. In the result Reader's Digest could not charge below 16.6 cents per copy, Chatelaine, 6.3 cents, Liberty, 4.2 cents or Maclean's, 5.8 cents. It will be seen immediately





that the price shown for subscriptions is of far greater importance than might be expected. Whatever the promotional methods of any of the periodicals they are limited in the reduction they can give according to the published subscription price.

I understand that there are no limits on commissions and like matters, which may be paid in order to secure subscriptions, but that is a matter with which I intend to deal later.

Now, one of the figures not publicly available for any of the periodicals is their aggregate revenues from subscriptions in any one year. However, these figures have been requested by the Commission and should be in the hands of the Commission experts. It is a very simple matter then for the Commission experts to calculate the average revenue received by each of the publishers for each copy of its periodical sold.

On page 30 of these appendices is found a statement of the average annual circulation per issue of each of the major periodicals in Canada. It is therefore but a simple matter of mathematical calculation for the Commission's experts to determine the average circulation revenue per copy for each of the periodicals published in Canada. I am instructed that I can say with the utmost confidence that these calculations will show that the average price received from subscribers for Reader's Digest will probably be about double that received by any



other major periodical in Canada. This could hardly be referred to as underselling in the circulation field.

May I now turn to advertising rates to see if there is underselling there. A page of Reader's Digest is in size approximately one quarter of the page of most of the periodicals. Now, as might be expected the advertising promotional staff of Reader's Digest extols the virtues of the page of that size, while its competitors expound its inadequacy. I don't intend to enter into this area of controversy. The fact is that Reader's Digest through the ingenuity of its founders and staff have made widely popular a form of periodical which in its publication involves relatively smaller expenses for paper, ink supply and like matters. These are matters which affect **cost** and **perhaps**, **provides** to cut matters which ordinarily should affect the value as advertising.

As I have had to preboud before other Commissions and like bodies when dealing with service industries such as, for instance, the telephone or railway industries the amount that can be charged for services is not related to the cost of the service but to the value of the service to which the customer is prepared to pay. A readily available example which has been frequently cited would be the rates charged by railways for shipping a pound of diamonds as compared with their rate for shipping



a ton of coal or gravel. It is what the consumer is ready to pay and not what it costs the producer. That is the standard through the type of industries I have mentioned. However, there is a further factor in competitive industries and that is not only what the customer is ready to pay but what the competitor is ready to accept.

Now, where we can find a comparison of what the customer is ready to pay and the competitor ready to accept in relation to periodicals of the size of Reader's Digest and those of the size of the periodicals competing with it in this country. Obviously where we would first look is below the border. It could scarcely be suggested that the publishers of any periodicals in the U.S., including the Reader's Digest, are not going to try and secure the maximum amount possible for their advertising. Theirs is a highly competitive market.

I have, therefore, had prepared and now am arranging to have handed to the Commission two exhibits in comparison of the prices charged for advertising by some of the major periodicals in the United States including standard or larger size periodicals such as Life or the Saturday Evening Post and the smaller size, such as Reader's Digest or Coronet. This exhibit which is marked Exhibit A - I also have one for Canada. Exhibit A refers to the percentage in Canada and Exhibit B refers to the percentage in the United States. I have an Exhibit C





which shows some percentages in France.

We find that we can find in the United States a comparison of the rates of both Reader's Digest and Coronet of approximately a similar size to the rates of the larger size publications. We find that we can find similar rates for publications such as Constellation which is of an equivalent size as compared with the rates charged by Paris Match in France. They are roughly similar in size.

In these exhibits the Members of the Commission will see in each case the rates per page and the rate per thousand circulation is shown. It will be seen in both the United States and France from these exhibits that similar size periodicals are able to command for a page of advertising on a per thousand basis only a proportion of the price which advertisers are ready to pay in the standard or larger size periodicals.

You will see, Mr. Chairman, there is no exact relationship ~~between~~ the rates of any one periodical and any other periodical. It has been stated to me that there becomes embedded in rate structures certain characteristics which advertisers become accustomed to and changes in which except on the straight percentage basis are resisted. As you will see looking at Exhibit A for instance we have the rate per thousand - let us take the four-colour rate. We have black and white, two-colour rates and four-colour rates. Let us take the four-colour



rate. It is easier to read, in the last column.

We have the cost per thousand to the advertiser of the four-colour rate. We have fixed Reader's Digest as 100% in the last column. Then we see that Chatelaine cost is roughly 166%, Maclean's 184%, Liberty 162%, Saturday Night 246% and so on.

If we turn to Exhibit B we find a like comparison. I suppose if I wanted a comparison in the United States you have Reader's Digest at 100% and a comparison for Chatelaine would be Ladies' Home Journal. Ladies' Home Journal is 166% of the Reader's Digest rate in the United States. The Chatelaine rate is 166% of the Reader's Digest rate in Canada.

Now, let us take another. As I say, there is no exact relationship. Saturday Evening Post as it happens is 194% of the Reader's Digest rate in the United States. Maclean's is 184% of the Reader's Digest rate in Canada and Liberty is 162%.

Now, moving over to Exhibit C we see again that in Paris where the Reader's Digest rate is shown as 100%, Constellation is 65% of Reader's Digest and Paris Match 151%.

I cite these figures to show that there has been no attempt in Canada to undersell anyone. The price for the smaller size page of Reader's Digest here has been fixed at the maximum we think we can get.



If the Commission can show us how we can get some more, we would be very pleased to get the information and go out and get it. I do not think anyone would suggest that the publishers in the United States are getting less for their advertising that is available and I give these comparisons to show that there is almost an exact relationship, subject to certain imbedded factors, between the rates charged here and the rates charged in the United States, and the rates charged in Paris.

Now, taking all factors that get embodied in the rates -- if you have occasion to look at this later, and I am not asking you to do it now, you will see, for instance, that the spread in prices between black and white and four-colour advertising pages in the United States is much narrower than it is in Canada. Now, the exact reason for this is not clearly discernible, but it is probably due to the fact that by reason of greater volume and other like matters, a more advanced type of printing machinery available became in greater use in the United States long prior to its wide introduction in Canada, thereby allowing the United States publications to narrow the margin between black and white and the four-colour rates before it was done in this country.





Now, the process of narrowing this margin has been more marked in Canada in the case of Reader's Digest than in most other Canadian periodicals; but this is a process which meets marked resistance from the advertiser. I am told that -- if I may interject this -- the first step was taken recently in the case of Reader's Digest. It charges now the same price for two-colour<sup>and</sup>/black and white and it is foreseen that in the not too distant future, certainly in the United States and as soon as it will come into Canada, that you may have a uniform rate for all of them, because with the type of machinery that is now available, the actual cost of reproducing is not much more for one than for the other, although the plates for the advertiser may be more expensive.

COMMISSIONER JOHNSTON: Would that include the four-colour and the three-colour?

MR. O'BRIEN: Yes, Mr. Commissioner. I am told that it can well be foreseen that you will find a single rate for all colours.

Now, sir, in my submission, the exhibits which I have just shown to you clearly demonstrate that advertising in periodicals of the size of Reader's Digest, in countries other than Canada, bear a relationship to the advertising costs in larger sized periodicals; that is essentially the same as the relationship of Reader's Digest



in Canada to other larger sized Canadian periodicals, and I respectfully submit that there is no price-cutting on advertising in Canada.

Now, the publishers of Reader's Digest throughout the world cannot take credit for having devised an especially good type of advertising page with a view to selling it to the public. Reader's Digest was published for approximately three decades without any advertising at all and the format of Reader's Digest was obviously designed as, first, the most convenient one for its readers and, secondly, the most economical one for its publishers.

What would happen if we attempted to print a Canadian edition of Reader's Digest on the larger sized format of other Canadian consumer magazines? The Reader's Digest format is 182-line, while the larger sized format -- I am picking it approximately -- is 680line. Now, experience has shown that advertisers who require a full page advertisement in Reader's Digest, generally, also require a full page advertisement in the larger format. Now, full page advertisements from Reader's Digest can be blown up to the larger sized format. However, the editorial text can't be blown up quite so readily. Now, if



we attempted to publish the Reader's Digest with the same pages of advertising and the same editorial text in the larger sized format, we would end up with a hundred pages of advertising and 46 pages of editorial text, and we would have a publication which would not be acceptable to the public; probably not acceptable for the Post Office under the reduced mailing regulations, and it would cost us over a million dollars more to produce it.

Now, if we tried to get additional editorial material in order to publish something that looked reasonably proportionate and had a hundred pages of editorial material and a hundred pages of advertising, the cost of doing so without adding any editorial cost, would be more than \$2 million in excess of what it costs us now.

The work sheets from which these estimates have been made are available for the experts of the Commission if they would like to see them; but, I may say that the additional cost of publication, by reason of using the larger format instead of the one we use, would relate primarily to the additional paper required, production costs and like matters required and too much heavier postal charges.

Now, it can readily be seen that any attempt to publish Reader's Digest in the larger



format would result in very substantial operating losses and the answer then to the position of Reader's Digest in Canada is that it use a format which provides for savings in paper, ink, plates and such other like matters. A much more economical operation is possible than if the larger sized format were used. There is no copyright on this small sized page. Indeed, I understood Mr. Chalmer's to say that Maclean's tried a small sized page at the outset and then abandoned it. Perhaps they should have been more persistent.

The question then arises as to whether the use of an idea which is in the public domain and open to anyone else to be used, should be subject to a penalty because others see fit not to use it and thereby incur greater expenses.

It may be that the format of the Reader's Digest is not appropriate for certain other periodicals, but is that any reason why the use of this format, where it is appropriate, should be subject to a penalty.

Coronet made us of this format successfully in the advertising field long before the Reader's Digest had taken any advertising. Indeed the advertising rates for Coronet, which were found acceptable to advertisers, probably played some part in the decision as to the fixing





of rates which would be acceptable to advertisers in the United States when the Digest first entered the advertising field.

In that connection, I recall being told that Coronet were delighted to see Reader's Digest enter the advertising field, not as welcoming another competitor, but it provided similar format advertising which had made it easier to sell to advertisers who would have plates of the same size for all their publications.

I think I have demonstrated that Reader's Digest in Canada does not under-sell its subscriptions or its advertising. In the process I have stepped into the area of showing one field in which Canadian periodicals could substantially reduce their costs if a format such as that of Reader's Digest were appropriate for them. Having stepped into this field I think that it might be appropriate to examine the position of Canadian periodicals as shown by the record of the hearings of this Commission. The only record which we find over any substantial period of time is that found in the submission of Mr. Chalmers concerning the experience of Maclean's in the publishing of magazines over a period of approximately half a century.

At the end of Volume 2 of the transcript there is reproduced the written submission filed



with the Commission by Maclean's, and at page 5 of that written submission we see the financial record of Maclean's in the publishing of magazines.

Starting in 1905 the record shows that in the period up to 1910 operations were at a loss. From 1910 to 1920 a further loss. 1920 to 1930 still at a loss.

For the ten-year period from 1931 to 1940 we see that, with an average annual revenue of approximately \$1-1/2 million, the average profits per year were less than \$12,000, and these were profits before taxes. It is to be noted that this is the period during which the heavy tariff was levied on the importation of United States publications into Canada.

The decade ending in 1950 showed a profit of almost \$1-1/4 million and that profit was explained by Mr. Chalmers in the submission of Maclean-Hunter where he said, and I quote:

"It will be noted that the one really profitable decade was the one that included the period of wartime and immediate postwar shortages of paper, etc. Advertising space was rationed: All copies sold out quickly on the newsstands. Staffs were short; salaries and wages were under governmental control."



It is apparent from this statement that the fact of having a decade of profitable operations was not related to the absence of competition for advertising by Reader's Digest.

The decade ending in the year 1960 shows a loss of some \$650,000 for all publications.

However, if we turn to page 6 of that submission, we see that over that period of roughly half a century Maclean's magazine operated at a profit, and that the over-all substantial reduction in profits was caused by losses incurred through other publications such as Chatelaine and Canadian Homes.

On the basis suggested by some persons appearing before this Commission, perhaps it could be said that Maclean's, in making a profit, was unfair competition for Chatelaine, which operated at a loss.

Now, it is obvious that this 50 years experience of unsuccessful operations, stemmed only for the short period where wartime conditions provided profits, must result from something other than the supposed competition from Reader's Digest and other publications in the last decade. Let us consider what these other conditions might be.

I would first ask the Board to consider what Mr. Chalmers referred to as the "numbers game".





At page 66 of Volume 26 of the transcript Mr. Chalmers referred to a decision made concerning the magazines published by Maclean-Hunter in 1960. He said, and I quote:

"On the advertising side we decided to back out of the 'numbers game' - that is to say, in competition for sheer circulation numbers ..."

What is the numbers game?

I had occasion to remark earlier that Mr. Laurin made a statement that in Canada and the United States circulation revenues generally were not sufficient to pay the cost of promotional and fulfilment expense of the periodicals.

I have also had occasion to recall to the Commission that the revenues coming from the sale of the Reader's Digest in Canada were sufficient to cover not only promotional and fulfilment expenses, but to provide a very substantial margin in addition.

I would ask the Board to permit me to examine the reason for this very marked difference. It is suggested to me that not only do most of the periodicals not cover promotional and fulfilment expense, but, in addition, have to eat largely into the revenues coming from their advertising to meet such expense.



One very obvious reason is the price charged to purchasers of the periodicals. If a periodical is acceptable to the public, a reasonable price can be secured for it. This has been shown to be possible by the operations of Reader's Digest in Canada.

Let us look at why certain of the periodicals are at last realizing that playing what Mr. Chalmers calls the "numbers game" in the way in which it has been played, must inevitably result in the losses which have been reported.

I have been told that the principal factor in the demise of Colliers Magazine in the United States was the large amount of promotional expense incurred for the purpose of showing a large number of subscribers to prospective advertisers.

I wish to state immediately that we have no desire to be critical of or to suggest interference with the management of any Canadian publication. It is only when such management comes forward with the suggestion that the reasons for their troubles are external and points the finger at us that we feel justification for bringing to the attention of the Commission what we consider to be the real cause of it.

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1. Now, I hand to the Commission an Exhibit, which is marked as Exhibit "D". The figures in this exhibit, as you will see, have been drawn from the publisher's statements to the Audit Bureau of Circulation for the year 1959. As you will see, the periodicals there shown are Chatelaine, Maclean's, Canadian Homes, Liberty, Saturday Night and Reader's Digest.

As the Commission will see from that exhibit, there are four general sources for subscriptions. Those are subscriptions sold by mail, those sold through catalogue agencies and those through field sales agencies; either the publisher's own sales organization or independent agencies.

It is hardly necessary for me to explain what subscriptions sold by mail means. I am told that subscriptions sold through catalogue agencies refers to independent agencies which usually publish catalogues and solicits subscriptions by mail or a like manner without door to door canvassing. It apparently includes subscriptions that are taken by departmental stores.

The third general category is that of field sales organization which consists generally of door-to-door solicitation or organized solicitation of groups through field workers. It is suggested that some of these independent groups will at times send attractive groups of



sales ladies into a factory or other like plant to garner as many subscriptions as possible in what might be called a blitzkrieg operation. It is also suggested that subscriptions secured through this concentrated person to person sales efforts do not result in the renewals that do subscriptions secured by mail, ~~where the person subscribing has to~~ reach a conscious determination to renew.

Let us look further at the field of subscriptions through these field service organizations. There are apparently approximately 30 of these independent field sales organizations operating in various parts of Canada. I will give a list to the Commission. They do not publish the charges which they make for their services. In consequence we cannot, as we have in other cases, give any figures which are based on any facts other than the experience gained by certain members of our own subscription staff when they were with other publications. These figures, however, are available to the Commission. You can examine what is paid by each of the periodicals and I suggest to the Commission that from the experience that has been related to me, it will be found that the commissions paid to these sales organizations will vary between 75 to 100 per cent of the subscription price with very few of them being in the lower range.





Now, looking at Exhibit D, which I have just given to the Commission, it will be seen that over 90 per cent of the subscriptions of Reader's Digest are secured by mail; 6.4 per cent through catalogue agencies and only 2.7 per cent through field organizations.

This compares with the average of the other five publications of 41 per cent through mail, 3.9 per cent through catalogue agencies and 55.1 per cent through field sales organizations.

In my respectful submission the answer from the record is clear. Any periodical, the publishers ~~of which~~ decide to increase circulation at any cost, must inevitably face disaster; the combination of subscription prices which are too low and promotional expenses which are too high, must inevitably result in losses.

As I recall yesterday before this Commission, Mr. Chalmers said this is exactly what Maclean-Hunter found in 1957 when they went out on a big promotional effort. Let me use the words of Mr. Chalmers to express better than I can what is required.

In Volume 26 of the transcript at page 56, which I have already quoted in part, he says: "That in 1960 on the advertising side we decided to back out of the numbers game, that is to say



"in competition for sheer circulation numbers and to concentrate on the preferred audience to which the special national and somewhat serious character of Maclean's editorial content would appeal."

Now, I do not wish to suggest that Reader's Digest is not endeavouring to increase its circulation in Canada. Indeed it has and it is continuing to do so, but I suggest that it has done so in the manner in which Mr. Chalmers says his firm has decided to proceed in the future.

I respectfully submit that Canadian Publications be given an opportunity to see how this new method of proceeding will work out.

It is obvious that many of the publishers in Canada came to the conclusion in the past that the operations end of their periodicals could be carried on without a profit, very little profit or at some loss because by the provision of this massive amount of printing work, investment in printing machinery was justified, which would not have otherwise been justified and permitted of substantial profits in other areas of the graphic arts business.

Some at least have now come to the conclusion that the methods followed in the past should now be abandoned.



We have not felt it proper that we should be making recommendations concerning the requirements for a healthy Canadian periodical industry. We feel it appropriate, however, to call attention to the conclusions reached by one of the oldest and most experienced publishing house in Canada concerning some of the basic requirements for that industry.

Mr. Chairman, somewhat by accident there came to my attention yesterday a publication which is called "The Gallagher Report" which is apparently a publication intended for advertising and publishing houses which is stated to be edited and published in New York by Mr. Edward P. Gallagher. The validity of his appraisal I cannot vouch for.

I thought it might be of interest to the Commission. I have some copies here. I am only going to quote a few of the comments from this article as to the position of the periodical industry in the United States both for this year and for the coming year. I am not going to . quote it all.

After the first paragraph we see:  
"Year of Reversal". This is a typical bulletin in the United States style.





"Year of reversal. 1960 began sweet and ended sour. In June advertising volume was up 5.5 per cent over 1959. The year closed with a mere 3.1 per cent gain. The 85 magazines carried a total of 81,695 advertising pages in 1960, only 2,419 more than in 1959."

I jump the next paragraph. It is available for you to read.

Then it says "45 magazines show increases in advertising pages. Average jump: 11.5 per cent". "40 magazines fell behind last year in advertising pages. Average loss: 8.4 per cent."

But I turn to the second page where their appraisal of the 1961 picture sounds very much like the appraisal we have had of the Canadian Periodical Industry here.

"Outlook 1961

"Year of Crisis. Publishers face 1961 with apprehension. First half expected to be down between 10 per cent and 15 per cent. Rough sledding ahead. Two out of five consumer magazines now losing money. Industry figures showed publishing profit 1.9 per cent of gross revenue in 1959. Estimated 1.5 per cent in 1960. In 1961 publishing profit will be less than 1 per cent."



They are pessimistic about the future of Life, but I wish to -- I mean the future of the publication of Life.

May I refer to the situation as they appraise it of the Curtis Publishing Company, which, in **many respects**, is in a similar position in the United States to Maclean-Hunter. The heading of that paragraph is "Is Curtis Dead".

"Is Curtis Dead? For the tenth year in a row The Saturday Evening Post is down in advertising pages. Dropped 1,637 pages or 37 per cent since 1950. Ladies' Home Journal is off 14.2 per cent, a sad 175 pages behind McCall's. American Home is 17.6 per cent below 1959. In the last four years its advertising volume has been cut in half."

I suggest, sir, that if they were able to find external sources of complaint in the United States such as overflow or the like, Curtis would have the very same story as we have heard from the Canadian Periodical Press!

THE CHAIRMAN: I would rather have heard from Curtis than from Gallagher then.

MR. O'BRIEN: Yes, I would think so. I know nothing about the publication.

THE CHAIRMAN: I have never heard of him.



MR. O'BRIEN: Now, sir, I was going to suggest, if it is convenient to you, that we might take a five-minute break. This is a break in my text.

THE CHAIRMAN: Yes.

---A short recess!



The advertising agencies are sophisticated buyers. They do not continue to be misled by what Mr. Chalmers calls the "numbers game". Given a solid corps of subscribers who have voluntarily come to a decision to subscribe because of their desire to have the editorial material in a given periodical available to them, and the advertising revenues will follow. I am not suggesting that they do not have to be sought.

Now, if we listen to some of the representations made before this Commission, it would seem that there is an advertising pie of a very definite and limited size to be cut up between the various media seeking the advertising dollars. That this is not so has been shown by the tremendous growth in advertising dollars available when new media, such as television, have appeared in the field.

Again I would like to go on the record to say what the answer is. The answer is given by Mr. Chalmers in Volume 27 of the transcript at page 55. Mr. Chalmers says this: "I think the basic fallacy is this: the assumption is that there is only so much money that is available for advertising in magazines, and that that is a fixed total sum and it is a fixed percentage of the total advertising budgets of the country, and that they take the case that it is important for Maclean-Hunter or anyone else to preserve their share of that. That is not true. What must happen in this country if Maclean-





Hunter is to continue to grow is that the number of dollars available in the magazine advertising pool in this country and the percentage of the total advertising dollars in this country must increase so that if Maclean-Hunter with 15% of the total as against 29% I mentioned yesterday, that the 15 or 20% of the larger sum will be enormously greater than the 29 or 30% which we presently have. That is the thing which must be achieved. In the process you get the national periodical literature diversified in ownership, diversified in viewpoint, diversified in the interests of its editorial coverage".

When Mr. Chalmers was asked concerning the danger of monopoly he said in Volume 27 at page 48: "I believe myself quite honestly that the magazine field in this country would grow under the stimulus of greater competition and everyone would benefit". He repeated that yesterday.

Again at page 50 he mentioned equitable and inequitable. It is the question of what is equitable and inequitable with which I wish to deal fully.

At page 50 of the same volume he says there are some publishers of magazines in this country whom he does not personally hold in very high regard, for whom he has not a very high respect for their particular standards, their approach to the subject.

At page 53 of the volume he stated it was in the interests of his company's magazines to build



up a strong magazine advertising field in this country.

In our respectful submission he has again given one of the answers to a problem which we do not have to live. If, instead of attempting to exclude a periodical such as Reader's Digest from the field, co-operation were attempted to build up a strong magazine advertising field, all periodicals might benefit. As Mr. Chalmers suggests the advertising pie could be enlarged and the cut for the magazine field increased.

Now, the Members of the Commission are no doubt aware of the fact that far from seeking unity and co-operation to enlarge the magazine field of advertising the Periodical Press Association excludes Reader's Digest from its membership.

In our respectful submission most of the answers to the questions asked in respect of the Canadian periodical press have come from representatives of that body. I now turn to some of the more specific statements in the course of the representations to this Commission insofar as they may relate to my clients or their position in the publications field in Canada.

May I first deal with the statements made by Mr. Laurin on behalf of the Periodical Press Association when he appeared in Ottawa a few weeks ago. In this connection I shall have to deal with some of the statistical studies introduced by him.



Now, Mr. Chairman, Royal Commissions have always been in the nature of a paradise for statisticians. There is where we have some of the greatest exhibitions of statistical legerdemain. Given a desired result, the choice of the proper base period, and other statistical requirements they can be used to develop the statistical background required.

The first point dealt with in the statistical analysis introduced by Mr. Laurin was that of the price charged for publication. At Volume 25, page 35, he quotes the newsstand and subscription prices of 7 magazines sold in Canada, both American and Canadian, but although a good part of the rest of his submission seemed to be devoted to my client's periodical it was strangely omitted from the list. Again at page 36 of Volume 26 another statistical study of subscription prices is shown, this time of 9 periodicals. Time which was included in the list on the previous page was omitted, and added were Chatelaine, Canadian Homes and Maclean's. Again, a notable omission is Reader's Digest. It is obvious, of course, that if Reader's Digest was included the other figures would look out of proportion. I do not intend to discuss the validity of the studies made other than to say that **to have** any validity they should include all well-known periodicals and that some periodicals should not be included in one study and excluded from another if the studies are to be taken seriously. More particularly, there





should not be a complete exclusion of a periodical because its inclusion would destroy the validity of the arguments based on the statistics being given. Now, I would like to turn to the charts which Mr. Laurin introduced. According to the evidence of Mr. Laurin these charts were intended to show that the periodical press in Canada has not suffered primarily from the competition of radio and television and weekend magazines, but that for some reason which is not quite apparent, Time and Reader's Digest, which he links together as closely as Siamese twins, are the real competition from which the balance of the periodical press is suffering. What Mr. Laurin failed to indicate was that if he had chosen other periodical publications in Canada he could have proven in a manner that these Canadian periodicals were responsible for the depressed condition which is claimed for the balance of the Canadian periodical industry. I think that the influence of television and the whole question of its impact on the amount of advertising revenues available has already been adequately ventilated before this Commission. I intend to refer to television and the impact of the weekend magazines only to correct the impression which I believe was intended by the graphs introduced by Mr. Laurin.

With your permission, Mr. Chairman and Members of the Commission, I intend to demonstrate this by graphs in form large enough to be seen by



all of you, while at the same time I will give you copies which, in smaller form you can follow individually. I might say I am not very good at using these visual aids and I will probably foul them up. I will do my best.

The first one shows the gross national advertising revenues available to all major media. You will see in 1958 the smallest piece of the pie was the farm journals, next were weekends and third came magazines, next business, next radio and leading the parade were dailies. In 1952 there emerged just above the ground the tiny little red spot of television. Farm was still in the same position apart from television. Weekends had moved up, big business periodicals had moved up, magazines had moved up and gone ahead of the business ones, as you will see. Radio had a big jump and the dailies had a big jump.

We come to 1956 and that little sprout that had pushed above the ground in 1952 had really grown to extensive proportions. That is the red spot of television. It moved over to the second largest. The farms were still the first. Weekends had moved up substantially. Magazines had increased again. Business publications again and radio had gone ahead of business. Television was way up.

When we come to 1959 we see immense growth of that little plant. We find way beyond



everything is television. Dailies have again increased, but they are behind television. Radio and business are going, magazines have increased again and weekends have increased substantially. The farm remains about the same.

Now I wish to turn more particularly to charts which were introduced by Mr. Laurin and they have been blown up so they can be seen more readily. The basic chart Mr. Laurin introduced was the one marked "Appendix D", which showed the line of the gross national product. As you will recall on that he showed what had happened to the magazines. They had dropped below and he had Time and Reader's Digest appear. I wish to show some of the other indications as is related to the gross national product. The real fact is the total national advertising budget, and that continued to slow right up.



O'Brien

MR. O'BRIEN: They are a way up on a level comparable to the total amount of the total national advertising, in proportion, but when we look at Weekend Magazine and Standard, then, it has gone out of the chart altogether; it is up some place in the sky. When we look at television from that, it has gone even a little further. So, in the breakdown, we see that there are certain media of communication who are doing a very handsome business.

I would next like to look at the chart which is also introduced in relation to what the periodicals are doing. This chart first shows on a fixed line the total national advertising and I would like to introduce on to it the lines that was shown on the other for gross national product, and you will again see that the advertising has increased very substantially. Now, we were shown Time and Reader's Digest together. Here is the Time picture. You see, Time was up above the average of total of national advertising. It came down and then went again.

Now, here is Reader's Digest. It went up and levelled out at about an area of the percentage of total national advertising. Now, the thing that I wish to call to the attention of the Commission was that it was pointed out that





O'Brien

whereas the magazine revenues, as such, of all of them excepting Time and Reader's Digest were substantially below the gross national product, we find that Time and Reader's Digest, if they had stuck together, were a way up there. I would like to show you what has happened to some of the Canadian publications. Here is Maclean's. Now, it went up and came down and it is still way above the average for the magazines that were shown below the national product.

Let me look at Canadian Homes. It went up very nicely until about 1955 or 1956 and then took a dive, but it is still above the average shown on the chart introduced by Mr. Laurin.

Canadian Home Journal -- there is a real depressing factor in the industry from the point of view of revenues, which probably effect the average shown.

Liberty -- it was going very well, we can see, until 1955, and then it took a dive in its advertising revenue.

Saturday Night -- this does not help the average, although it dropped out of the bottom like television went out of the top; but, it is on its way up again, fortunately.

Here, we see an area in which the whole picture was affected. They are the Consolidated



Press consumer magazines -- Liberty, Saturday Night and Canadian Home Journal. It has kept along at the level roughly with the g.n.p. -- slightly below it -- and then they have gone out of the picture.

Here is Chatelaine and I wish to point out that part of the growth in Chatelaine is, no doubt, due to its acquisition of Canadian Home Journal and, notwithstanding that the revenues are coming in, it has even gone higher than television did in proportion.

Here are the Maclean-Hunter consumer magazines as a group -- Maclean's, Chatelaine and Canadian Home, which just met the percentage of total national advertising, and if you put that on, and this is what they said Reader's Digest was doing, you find that proportionately they were down over here as well and by taking the figures which are depressed, by reason of one class of publication putting themselves in there --- the intention apparently was to show that they were down in this depressed class, and the very contrary is true, subject again, to the benefits that accrued to them by the acquisition of the circulation of Canadian Home Journal.

We will have this made available to the Commission, but you have them in a smaller size.



Now, sir, the next point which Mr. Laurin made in what he termed the unfair competition picture was that publishers, who depend to a large extent on direct mail as a source of new and renewal subscription orders, test mail several pieces to ascertain which piece of direct mail is best in terms of dollar return and number of orders, and he said that the cost of such testing is very high and that Reader's Digest -- or, I do not know whether he picked out Reader's Digest, but the special Canadian editions have available to them the creative work and results of testing programs carried out in the United States, as a result of which they can avoid, or at least substantially reduce, the cost of such test mailing.

The answer to this statement, stated in the most simple terms, is that it is untrue.

Reader's Digest does not import any printed promotional material. Like any other magazine in Canada it takes advantage of ideas which it has seen to be successful either in the United States or other parts of the world. In the same way, publishers of many Canadian magazines gain experience on one of their periodicals and apply it to others.

However, none of this reduces in any way the costs of Reader's Digest in the preparation of





O'Brien

its promotional material for subscriptions by mail.

All of this is prepared in Canada by a Canadian staff of writers and artists. All of it is printed in Canada and addressed in Canada and mailed in Canada.

The Canadian market is quite different from the United States market and the promotional material in Canada is not used until it has been created and tested and made effective in Canada.

The result is that Reader's Digest cost of promotional material in Canada for the purpose of maintaining or increasing its circulation at least by direct mail, is certainly not lower and probably much higher than the cost of like material for any other publication in this country.

It is in the other areas of promotion of circulation, by the payment of high commissions to door to door solicitors and the like, wherein the other periodicals incur their excessive costs -- costs which Reader's Digest does not incur and which it firmly believes can only be incurred at the risk of failure.

The next point raised by Mr. Laurin is that the advertising sales staffs of Reader's Digest of the various countries throughout the world provide advertising for the Canadian edition. This is true



O'Brien

only to a very limited extent as the Commission can see from the figures which are available to it.

The main sources of advertising for Reader's Digest in Canada are Canadian sources, which are serviced entirely within Canada by the staff of the Canadian edition through Canadian advertising agencies which benefit by this work in Canada. To the extent that advertising for the Canadian edition has to be sought or serviced in the United States, the Canadian edition has its own sales representation in the United States.

I do not wish to suggest that the United States edition of Reader's Digest, or any other edition, ignores the benefits that can accrue through co-operation with the Canadian edition. I do suggest that the effect of this co-operation has been grossly over-emphasized in the submissions made to this Commission.

The last point touched upon in the submissions of the periodical Press Association was that related to the cost of editorial content.

Now Mr. Zimmerman, when he appeared before the Commission a few months ago, clearly stated that Reader's Digest did not consider itself to be a Canadian periodical in the sense that it was choosing its editorial material with a view to a particular representation of the Canadian scene.



O'Brien

I have already shown that in relation to the total world circulation of the Digest, the amount of editorial material drawn from Canadian sources or related to the Canadian scene is, to say the least, fair in relation to the Canadian circulation's percentage of the world's circulation.

The editorial material in the Digest is intended for an international audience and this is the material which over 1,100,000 purchasers of the Digest in Canada and its 4,000,000 readers wish to have. It may well be that they seek other sources of different editorial material. Reader's Digest does not intend to be other than it is -- a compilation of articles of lasting interest which are intended to be so, not only because of their relation to the scene in which the readers are located, but rather because of their universal interest in their subject matter.

Now, sir, I think it is fair to say that the cost of the editorial material compiled for the over 21,000,000 copies of the Digest sold throughout the world could not be borne if it were collected solely for the 12,000,000 copies published in the United States.

The policy followed throughout the world organization is that the cost for the editorial material which is collected in the pool available



O'Brien

for all of the world publications is shared on a pro rata basis by each of the publications in accordance with the circulation of each. This cannot always be exactly proportioned, from year to year, but the system of allocation of cost is embodied in formal contracts which in the case of the Canadian edition are in the hands of the Commission.

I might say, a comparison might be made as to this pool of editorial material, say, with the Associated Press, because Reader's Digest both distributes and collects in the various areas and the cost is borne between all the people using it.

Well, in my home city, where the Montreal Gazette uses the Herald Tribune service, it pays an amount and gets that and I think the Montreal Star uses the New York Times service and the columns, and so on, thereby acquiring certain of this material for the Canadian editions here.

We of course have not the actual editorial costs of other Canadian periodicals but based on the amounts which they have stated before this Commission to have been paid for articles, it is our belief that the editorial costs of the Canadian editions of Reader's Digest, by reason of the amounts paid for its proportion of the cost of the central pool and its costs of its own Canadian





O'Brien

editorial staffs, would compare favourably with the true editorial costs of any other publication.

COMMISSIONER JOHNSTON: Any other Canadian publication?

MR. O'BRIEN: Any other Canadian publication.

COMMISSIONER JOHNSTON: Any other publication in Canada?

MR. O'BRIEN: Yes. Now, sir, it is hard to really apportion this cost, seeing that we pay a fee, as you know, under the contract; but, I would suggest that the basis for estimating the cost is related to articles that are in the Reader's Digest would be to divide the number of articles into the cost, into the amount that is paid for them into this pool.

Now, in the last two full years, 1959 and 1960, the Canadian company have a total of \$493,000 -- a little more -- for the editorial material it got from the central pool.

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In those two years, it used 773 articles. In addition to those articles, it also used such familiar things as "Life's Like That", "Word Power", and others which are considerably shorter than the average article length, and to get them into equation, the total number of pages was divided by the average article length of 5.1 pages to get their equivalent in articles and this brought the total number of articles used in those two years up to 833. This, divided into the sum paid for the use of the central pool, gives an average cost per article of \$592 for the Canadian edition.

Now, it is interesting to compare this figure with those given earlier in these proceedings by the editors of two major magazines. Mr. Blair Fraser of Maclean's, stated that a typical Maclean's payment to professional experienced writers for an ordinary article, taking an ordinary length of time, would be \$450 and Mrs. Doris Anderson of Chatelaine stated that its scale of payment ranges from three to six hundred dollars for full length article. This would indicate that our editorial costs are, per article, approximately the same and perhaps somewhat higher than other Canadian periodicals.

Now, may I say this: I do not think that the cost, the question of cost is a factor unless it can be shown that by reason of lower costs, we



O'Brien

are underselling our competitors in Canada and I think that I have already fully demonstrated that the suggestion of underselling cannot be substantiated.

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MR. O'BRIEN: I think I have already fully demonstrated that the suggestion that underselling cannot be substantiated. I would like to turn now to certain other points that were raised from time to time before the Commission.

THE CHAIRMAN: Mr. O'Brien, before you turn to something else, you have paid a great deal of attention to Mr. Laurin, and I think rightly so. Are you going to pay any attention at all to Mr. Farrell?

MR. O'BRIEN: Yes I am, very briefly. There are a few areas where -- I don't know that they affect us too much -- I thought that the Commission would be interested in having the actual statistics which were available to us. It has been mentioned from time to time here that the Canadian Weekly Newspaper Association had made certain representations which would indicate that that category of the industry is in a weakened position.

Now, if you look at the transcript, Volume 28, page 137 -- Mr. Telfer speaking for the Canadian Weekly Newspaper Association stated that in the association they had 100 fewer weekly newspapers than 10 years ago. I note he said in that association; the figures given were 620 against 520 at the present time. Now, in view of the



Commission's interest in the weekly newspapers, which interest we share, we have looked into the data available concerning the situation of the weekly newspapers.

It will be noted that Mr. Telfer referred to 520 members of the Canadian Weekly Newspaper Association which represent weeklies, semi-weeklies and tri-weeklies. According to the publication, Canadian Advertising, the number of weekly newspapers in Canada raised by 6.7 per cent from 1948 to 1959. In 1948 there were 833, in 1959 there were 889. In 1960 the number had increased to 895, being an increase of 7.4 per cent over 1948. Of the 889 publishing in 1959, 236 or 26.5 per cent belonged to the Audit Bureau of Circulation; 32.4 per cent have sworn circulation and the balance do not publish their circulation figures.

Mr. Telfer, in talking of the reduction of the number of weekly newspapers, was obviously talking of the reduction in the number of publications of the members of his association.

Again, if we go to volume 28 of the transcript at page 137 we see that Mr. Telfer there stated that national display advertising in the publications of his association -- again -- had decreased in the same 10-year period from 25 per cent to 12 per cent.



Now, there is no adequate way of checking those figures because they relate first only to members of his association and secondly they relate only to national advertising. However, we have one source of advertising figures, being those found in the Dominion Bureau of Statistics, printing trade reports, which lists the annual revenues of the weekly, tri-weekly and semi-weekly newspapers combined.

The last complete year for which those figures are available was 1958. I have heard that 1959 has just come out, but I didn't get that.

According to the D.B.S. figures advertising in those weekly newspapers in the year 1949 was \$9,638,251 and for 1958 \$19,530,400 or an increase of 102.6 per cent.

Again, going to page 139 of Volume 28 of the transcript, Mr. Telfer spoke of the mortality rate of the weekly newspapers. He stated that 100 weeklies had either amalgamated or ceased publication in the last 10 years. I do not challenge that. I do not know.

I have already shown from the figures in the publication Canadian Advertising that the number of weeklies had increased from 833 in 1948 to 895 in 1960 or an increase of 62 newspapers and the inevitable conclusion must be that with this substantial increase in numbers, a great many



new weeklies must have come into existence to make up for the loss of the 100 amalgamation or cessations of publications, an additional increase of 62.

Finally may I quote again from the Canadian Advertising in the circulations of weekly newspapers. In 1948 the average circulation was 1,035,000 while in 1959 the average circulation was 2,809,000 or an increase of 83 per cent.

I point out these variations in the figures submitted not merely for the satisfaction of showing the errors made but to indicate the danger of acceptance of broad statements not supported by figures or authoritative sources.

Mr. Chairman, a few days ago you adverted to certain statements made concerning the impact of the advertising tax imposed in the year 1957 and half of the year 1958. You pointed out that advertising had fallen off in the case of the United States periodicals. Mr. Laurin did that again this morning. I thought that the reference was particularly appropriate because the records show that the very same thing happened to the periodicals in Canada which were not affected by the tax.

May I suggest that you turn to page 34 of the appendices that we filed with you originally which gives the story very graphically.





Now, if you will look there, sir, you will see that that gives the number of advertising pages in the principal periodicals in Canada and the important figures are, of course, the change from 1956 to 1957. The tax became effective on the first of January, 1957 and was repealed in June of 1958.

Now, almost without exception the number of pages of advertising in all Canadian periodicals dropped in 1957 but the big thing is that with some minor exceptions, the smallest drop that we see is Reader's Digest, which is subject to the tax. Some of the others took very very substantial drops. Now, that is in the number of pages that I am quite sure that some of the other persons appearing were talking in relation to the advertising revenue.

Now, with the impact of the tax, Reader's Digest increased its advertising rates and so did some of the others.

I would ask you that in so far as the advertising revenue is concerned, to turn back to page 32 of the appendices. Now, we see that even with the decreased number of pages, a small decrease in the case of Reader's Digest, its revenues went up during 1956 and 1957 some \$400,000. Maclean's had a 300,000 to 400,000



increase but having said that then almost uniformly -- I think Canadian Home Journal is an exception -- across the place we see that they were either remaining static or some decrease, not a very substantial increase.

It is undoubtedly true that there were economic factors involved at that time, altogether apart from the impact of the tax, but it is also true that those economic factors affected the amount of advertising revenue available for the media and even at the increased prices Reader's Digest continued to get a bigger share. The conclusions I think from this are fairly clear. The first is, as I said, that the Canadian economy was passing through a comparative lull which reduced the number of advertising pages available.

I suggest that when we see the proportion maintained by Reader's Digest in its higher revenues, those figures indicate what I believe Mr. Wardell said down in the Maritimes when he was before you; that the advertiser will go to the periodical or publication which he believes appeals most to his customer and in consequence has the most appeal to the advertiser who is looking to it.

If, of necessity, he has devoted more of his available dollars to the publication which appeals most, there will be less of the available



dollars for other publications and this occurs at a period when there is a natural out-back in the expenditures; in any event, it is frequently the smaller publications that is going to take the beating.

I point this out simply to show that the tax which certain periodicals have requested could well be, in the light of this experience, as we look at it, very detrimental to the health of many of them.

Without any figures to substantiate these statements, it has been said several times that the effect of the tax on the importation of American magazines in the thirties resulted in a profit to Canadian magazines.

Mr. Laurin did put in figures this morning to show increased circulation and reduced circulations but nothing concerning the financial position of the magazines.

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Other than to keep the record straight we have no particular interest in the question of whether or not a tax is levied on the importation of United States magazines.

However, I would recall to the Commission that the figures filed by Mr. Chalmers showing the financial results of the magazine publications of his company between 1930 and 1940 would indicate that their operations during that period were far from profitable, in the sense that the word profitable is usually considered.

Now, again, for the purpose of having the proper statistics on the record I would like to advert briefly to what I believe has been repeated here frequently, that consumer magazines have been decreasing in number and circulation in Canada. Here again I simply wish to place on the record the actual figures, without any comment as to what they may indicate. The publication Canadian Advertising lists the number of consumer magazines published each year. The figures which I am about to give to the Commission relate in all these cases to magazines published not less frequently than quarterly and principally weekly or monthly.

From Canadian Advertising we see that in 1948 100 consumer magazines were listed as being published in Canada. In 1960 113 consumer magazines were published in Canada, an increase of 13%. In 1948 the total circulation of the 100 consumer



magazines then published in Canada was 55,460,500. In 1960 the circulation of the 113 consumer magazines published in Canada was 74,685,500. This was an increase of 34.6%.

Let there be any suggestion that these figures have been inflated by the inclusion of Reader's Digest figures I would point out immediately that the study excluded Reader's Digest from the Canadian publications to show what the others were doing. It also excluded all Canadian editions of American magazines, including Time.

Now, sir, we have heard of the decrease of certain magazines that were published in the past. I simply wish to mention this. The noted ones such as Canadian and so on all went long prior to the time that my clients were operating in the Canadian field.

THE CHAIRMAN: Mr. O'Brien, in the list you gave us of consumer magazines, would you read us the names of 10 or 12 of them so we can see what kind of consumer magazines they were?

MR. O'BRIEN: I think that the consumer magazines were the ones that were chosen by Canadian Advertising.

THE CHAIRMAN: A lot would depend on character of the magazines themselves. After all I could come out with a list of all sorts of publications which call themselves newspapers. Actually they are not. Without the list I would be very



suspicious.

MR. O'BRIEN: We will get it for you.

This list was chosen by someone other than ourselves, by the Canadian advertiser.

Now sir, I wish to turn briefly to the presentation made by ~~the~~ ~~magazine~~ yesterday. I do not think I could be said to be guilty of exaggeration if I thought I detected a touch of venom in the remarks of the representative of ~~Weekend~~ when speaking of Reader's Digest. Apparently we have been guilty of misrepresentation, distortion and inaccuracy. I do not intend to deal with this in any great length. For every figure quoted by Reader's Digest in its submission and in its appendix the sources were given and **are** available to the Commission and to the Commission's staff, and have no doubt been adequately checked already. We do not claim that there is no possibility of error and, as the Commission and staff will recall, we found certain errors which were called to the attention of the Commission and its staff and were corrected before the submission was publicly presented. We have not been able to find any others. We had a complete check again made yesterday. The only thing which we were unable to check was the information we received from our foreign correspondents whom we couldn't reach last night, in Germany and other places.

As to misrepresentations, I do not think



that the Commission wishes me to go up and down every garden path taken in the course of yesterday's presentation by the representative of Weekend. Typical was the suggestion that there was misrepresentation because we had said our subscription price was the highest of any major periodical in Canada. The misrepresentation stated was that we had failed to mention that the subscription price of the Star Weekly was \$7.50 against our \$4. In the interval we have had the subscriptions of the Star Weekly checked and we find for 1959 the average number of subscriptions was less than 2500 or less than half of one per cent of its total circulation. I think the Commission will understand why it wasn't deemed necessary to include the Star Weekly among the magazines having a major number of subscriptions in Canada. We do not intend to refer to the number of subscribers of the Star Weekly in a derogatory sense. I am sure that even the publishers of Star Weekly would not consider that its number of subscribers would put it in a field which could be called the major field when compared with the other publications referred to.

As I said we were able to check again, although we rely on the accuracy of our correspondents as to the information given to us. I can mention one thing of which I am personally aware. In the Weekend brief they said they got in touch





with the Canadian Legation or Embassy in Switzerland, inquired of the postal authorities and they said there was no postal discrimination between foreign and local publications. I can say this of my own knowledge: we must go - it was more than that, when we were trying to get information together for the Commission, Mr. Paul Thompson, who is now manager of the International Edition of Reader's Digest and who was until a few years ago manager of the German edition, told me, and I will be very glad to have him come here and repeat this. He told me that in Germany they trucked their German language edition across the Swiss border and mailed it in Switzerland, and they had to **pay** a higher rate than the local periodicals **paid**. I recall very well I said, why don't you mail it in Germany? He said, if we mail from Germany we would have to pay a still higher rate. He was in charge of the payment for years. It may well be that the postal regulations do not specifically mention local periodicals or other periodicals. It may be it applies to matter brought over the border from other countries and mailed in. That was told me by the man who was handling that and trying to cut his expenses down for years, that the periodicals, that the rate for mailing these periodicals, trucking **them** across the border into Switzerland from Germany is higher than the local periodicals would have to pay.

THE CHAIRMAN: We are not too much



concerned with this. We have reports from all our embassies. We know precisely what is being done about these rates.

What about this remark in Mr. Farrell's statement yesterday. I am taking this as an example, because it casts some doubt in my mind about the accuracy of some of your other statements. You said in your first submission when you came into Canada this was a contribution to Canada's war effort. The war had been over three years then.

MR. O'BRIEN: We were here in 1943.

THE CHAIRMAN: Printing?

MR. O'BRIEN: We printed the United States edition here from 1943 to 1948.

COMMISSIONER JOHNSTON: Can you tell me how you contributed to the Canadian economy at a time when paper was short?

MR. O'BRIEN: The Canadian Government welcomed us and issued a quota to us. They were glad to have us here. May I say in connection with the statement we came here to get paper this wasn't the purpose. We published in England when it got big enough. They stopped sending it over there and started printing in England before the war started. That always has been the policy throughout the world. It has no relation to what paper you can get where.

COMMISSIONER JOHNSTON: Have you compared



your statement with Time's statement?

MR. O'BRIEN: I heard Time's statement. I didn't compare it. I heard they couldn't come in because they couldn't get the paper. I think that was the statement. I have no knowledge of it. I would prefer not to enter into that field. Do you want anything further on that?

THE CHAIRMAN: Do you remember the name of the Government that was in office that welcomed you to Canada?

MR. O'BRIEN: I don't think we have much doubt about what government was in office. I am not sure who the Prime Minister was at that time.

THE CHAIRMAN: I think Mr. Johnston remembers.

MR. O'BRIEN: I have had recalled something to me. I didn't intend to mention it. I knew it before. Apart from the question of taxes there was a contribution throughout the war period of approximately 15% of the revenues of Reader's Digest towards Canada's war effort. That wasn't in the form of taxes. It was a voluntary contribution.

THE CHAIRMAN: I thought you were going to say a 15% contribution to the party's funds.

COMMISSIONER JOHNSTON: Are you through?

MR. O'BRIEN: I am still dealing with some of Weekend's statements. The next statement made was concerning the articles picked up by





Reader's Digest from other magazines. Perhaps in the course of this I can answer the question which Mr. Johnston asked as to who got paid for these, yesterday.

We have never attempted to conceal our methods in securing articles from periodicals of all kinds. The type of article which we consider acceptable to our readers is at times difficult to find and, as we said in our original submission, is of the kind which many periodicals do not wish to publish unless encouraged to do so. That encouragement we give by seeking out authors for them and providing to them these articles for which the periodical pays. In answer to Mr. Johnston's question yesterday the payment for these articles goes in full to the author. The periodical pays for the article, whether or not he is a staff writer for that periodical or otherwise where the periodical originates the article payment sometimes goes in part to the author and in part to the periodical. Much depends on the attitude which the publisher of the periodical wishes to take.

Weekend, in its original submission showed concern for the small Canadian content in Reader's Digest. We have already pointed out that by reason of the maintenance on the staff in Canada the interest in articles published in Canadian periodicals is much greater than it might



otherwise be. In the appendix to the original submission made we gave a list of the many articles printed from Canadian sources and the policy of seeking these articles continuously.

Recently the editors of Reader's Digest found an article which they thought could be properly condensed and used in their publications throughout the world. It was an article entitled "The Luckiest Boy in the World" which had been printed in two parts in Weekend magazine. This article told the story of a nine-year-old boy who plunged over Niagara Falls and lived. It was drawn to the attention of the editors of the central pool for all Digest publications by the Canadian editors and it made such an impression that a condensation of the article was prepared and scheduled for a leading spot in the March index of the United States edition of Reader's Digest. Unfortunately, when Weekend magazine was approached Reader's Digest was informed that the article could not be included in the Reader's Digest. This refusal not only related to the Canadian edition of Reader's Digest, but to any of the editions of Reader's Digest in any part of the world. The suggestion made by my clients that they would pay \$2,000 for the article of which \$1,000 was to go to Weekend and \$1,000 to the author, who was a staff writer. Now, sir, that isn't an encouragement to magazines to offer Canadian content or to show throughout the rest of



the world that the articles are available.

We think that Weekend deserves credit for having developed what is, undoubtedly, the most successful periodical venture in Canada. With its total circulation fast approaching 2,000,000 and its advertising revenue in excess of \$10,000,000 it stands far ahead of any of the printed media in Canada. It can, no doubt, afford to forego the fee for reproduction of the article, and perhaps compensate the writer for the loss.

I would respectfully suggest to the Commission, however, it is somewhat incongruous to hear the representative of this lusty young giant which dominates the publishing field in Canada, coming before the Commission and crying, "Help me, lest I perish".

Now, Mr. Chairman, in the event that it might be suggested that we are trying to avoid the issue, I wish to approach frankly the question of Canadian ownership, either by majority control or otherwise of the Canadian edition of the Reader's Digest. It has already been pointed out to the Commission that plans have been under way for some time for share participation by senior employees of the Canadian company. I may say that even this step was taken only after very grave consideration and with some hesitation. The hesitation is in no way related to the question of what shareholders control the company in the sense that this would be



understood in an ordinary commercial industry.

It has resulted from facts which are peculiar to the nature and the history of Reader's Digest.

Reader's Digest is not, and it never has been a publicly-owned company as distinguished from many other periodicals and publications which have a substantial number of shareholders. Reader's Digest was founded by and is still owned by Mr. and Mrs. Wallace

Page 181 follows





The hesitation about distribution of share ownership arises from a question of principle. The duty of management to its shareholders is to earn as large a profit as possible in the course of proper management for distribution to the shareholders. This duty can clearly come in conflict with the principles which could be followed by the sole proprietor-publisher, if losses involved in the carrying out of these principles will be suffered only by himself.

Let me give some examples. Rightly or wrongly Mr. Wallace came to the conclusion that it was in the interests of the readers of his periodical to publish the analysis and results of tests made on cigarettes to show their possible effects on cancer. I am sure, Mr. Chairman, that it was largely the effect of these articles which caused you and me to cease smokeing.

It is undoubtedly true that these articles had a tremendous impact on the tobacco industry in both the United States and Canada, as did the subsequent series of articles showing tests on various filters on cigarettes to indicate the filter that would give the best protection to a smoker. It has been said, I believe authoritatively, that the filter shown to be the best in these tests resulted in a phenomenal increase in the sales



of the cigarette tested. Reader's Digest published those articles and later refused to accept any cigarette advertising, so that it could not be said it was favouring one or another.

But, could a decision to refuse cigarette advertising with the heavy loss of revenue involved, have been made as readily if the interests of shareholders had to be kept in mind?

Another instance where advertisers could potentially be affected occurred only a few months ago. Reader's Digest carries a substantial number of advertisements for cosmetics.

An article was made available for the Digest showing that a number of the cosmetics were of very little value and that a major part of the price charged related to the container in which they were sold. The effect of such an article on the advertisers had to be considered and a decision made concerning the use of the article, in the face of a loss of a very substantial amount of revenue, which was estimated, I believe, to be little short of a million dollars.

The decision was made to publish the article but, as a courtesy to its advertisers for cosmetics, they were advised in advance of the intended publication of the article and given the opportunity to withdraw their advertisement.



I have no figures on the actual effect on revenues. I point out the incidents simply to show that the decision made was one which would have been much more complex, and perhaps rendered impossible, if the duty to earn profits for shareholders had also to be borne in mind.

I think perhaps, where ownership of the shares of a publisher is already in the hands of the public, that a decision as to share control is much less difficult. Where we are faced with one of the few surviving private publishers in the major periodical field, I would respectfully suggest that the impact of such a decision would have to be very carefully considered before it was made.

I think that this might be particularly true in the case of a publication such as Reader's Digest, which does not in any way pretend to particularly represent the Canadian scene, any more than it pretends to particularly represent the national scene of any of the other countries in which its 29 editions are published.

Mr. Chairman, yesterday you were good enough to give me a warning that you might desire to ask me today concerning the provisions in the Statute relating to Canadian Pacific Railway.

The Statute incorporating Canadian Pacific Railway is "An Act Respecting the Canadian Pacific





Railway" 44 Victoria, Chapter 1 (1881) and provides that the majority of the directors of the company shall be British citizens. Peculiarly enough, the applicants for incorporation of the railway are shown and, if their residence is any indication of their citizenship, the majority would appear to have been citizens of the United States and France.

It is perhaps worthwhile noting also that the Railway Act, enacted at a much later date, has a like provision. Section 115 as it stands today, and has stood for many years, provides that the majority of the directors of any railway, subject to the Act, shall be British citizens. It is notable also that section 97 provides that every shareholder, whether or not he is an alien, is entitled to one vote for each share he holds.

Now, Mr. Chairman, we have heard much about overflow and special Canadian editions, and the like. I think it might be of interest to consider the position of Reader's Digest in this respect. Though we do not contemplate that it would or could ever happen, as a hypothetical suggestion, let us look at the possibility. In so far as Canadian readers are concerned, it is possible that we could maintain approximately the same circulation in Canada by printing approximately one million additional copies down in the



United States and sending them to Canada.

The readers in Canada would lose something. They would lose the particular Canadian touch which is attempted through the Canadian editorial services of the Digest. Insofar as the French language edition is concerned, it is probable that it could not survive in Canada without the advertising to support it, so that we would have to consider the possible disappearance of its disappearance.

Reverting to the English-language edition, I would recall to the members of the Commission the statement made yesterday by Mr. Chalmers that the printing of an additional number of copies of a periodical could be done at approximately one-quarter of the cost of the original issue. If this were true, the extra one million copies of Reader's Digest, required for mailing to Canada, could be printed at comparatively small cost.

Now, sir, as has been frequently pointed out, a substantial part of the advertising matter which appears in purely United States publications is, or can be made applicable, to the Canadian scene. I need only mention certain well-known advertisements for soft drinks, advertisements for automobiles, electrical appliances, and many other like products, which are marketed in the



in the United States and Canada under common names.

I think an additional 1,100,000 subscribers added to its United States list of subscribers at Reader's Digest could command a higher rate for its advertising and could provide a substantial amount of advertising, which would attract advertisers who were appealing to the Canadian market.

Just as was stated this morning, a purely Canadian advertiser would lose a medium for reaching the four million readers of Reader's Digest.

I do not wish to enter into hypothetical calculations of relative costs and results, but it has been suggested that, apart from the determination to carry on Canadian operations within and as a part of the Canadian scene, the pure economical point of view might result in as great and possibly a greater return to the proprietor of Reader's Digest by having the whole issue printed and mailed in the United States.

A substantial number of persons would lose employment in Canada and revenues would accrue to the United States Post Office, rather than the Canadian Post Office. Advertisers who wish to reach the some 4 million readers in Canada, in order to stimulate the sales of purely Canadian



O'Brien

products, would have to find some other means of doing so.

I mention this possibility, not in the nature of a forecast, because neither I, nor my clients, think that it will ever be necessary. I do think it advisable to bring to the attention of the Commission all matters which relate to the question under study, and particularly some which would appear to have more relation than many which have been heard during the past few months.

It must be remembered that the impact of overflow advertising, which has been mentioned as the most serious of all impacts, is lessened to the extent that none of it is contained in the edition of Reader's Digest published in Canada. To the extent that a like edition was published in the United States and forwarded to Canada, the impact of overflow circulation would, to that extent, be increased.

Now, Mr. Chairman, I have perhaps kept you and the members of the Commission over long and it may appear that in substance the remarks which I have had to make are particularly negative.

This must be expected, in view of the fact that both I and my clients are determined that our presentation should be limited to a study





O'Brien

of Reader's Digest and only Reader's Digest, within the ambit of the Commission's study.

Just as we make no claim to being national in character as a publication, while we take some pride in the part that we play on the national scene, we do not feel that it is either required or proper for us to come forward with recommendations concerning what should or should not be done by this Commission or the Government of Canada.

May I reiterate what has been said many times already. We are only too anxious to do anything which will contribute to the propriety of the periodical press in Canada. We sincerely believe that, in the propriety of the periodical press in Canada, we will find in large measure the propriety which, we hope, have ourselves in our operations in this country.

Now, sir, and members of the Commission, 18 years ago Reader's Digest established in Canada. The officers of that company think they have made a contribution to the country. Significant capital investments have been made here. When funds are not needed, and there might be some available at times they are invested in Canadian Government securities.

Now, just as the members of the Commission must have concern for the whole periodical industry



they have been asked to examine, so, I suggest, they will have equal concern for the interests of those who in good faith invested in this country. We have confidence that all interests will be fully considered. The matter under study concerns Canada and it may be the guide of other countries in the free world in which, until now we have been welcome without reservation.

We likewise sincerely believe that as the Tariff Board has occasion to see more frequently, calls for help are very natural from any industry. However, these calls must be very thoroughly examined to see if the continuance of a healthy industry in this country cannot be attained without placing it in a situation akin to that of tutelage.

Mr. Chairman, it has not been possible for me to attend all of the sessions of this Commission across the continent. I marvel at the energy and attentiveness shown by the members of the Commission over this exacting period.

For the courtesy and forbearance which you, Mr. Chairman, and the members of the Commission have shown to me in my appearance here, I wish to offer you my thanks.

THE CHAIRMAN: Thank you, Mr. O'Brien. I think we will take a short recess now and after that Mr. Johnston has some questions to ask you.



--- Upon resuming at 4.45 p.m.

THE CHAIRMAN: Mr. O'Brien, Mr. Johnston will ask you some questions. I think he will take about ten minutes and after that we will adjourn until tomorrow morning at 10.30 o'clock. We hope you will not have left town on us.

COMMISSIONER JOHNSTON: Mr. O'Brien, I think I must report to you that you are very unpopular around here. Your oral presentation could have been duplicated for the newspapers and for the Commissioners.

MR. O'BRIEN: I don't think it could have been, sir. Let me tell you why. The oral presentation was dictated by me, and as you can see, many parts of it related to yesterday's evidence and then I proceeded to take a pen and tear out parts. I have got parts written over in the margin. I would be ashamed to let anyone but myself read it, in fact.

Just to give you an example, this is the kind of thing I have in there. For instance, there was not a word in this about the Gallagher Report. There was not a word in it about those charges. I simply spoke - I knew what I was trying to say but I didn't have any of the words typed out. That is in effect what I said it was. I certainly cannot cover all the points without having memory joggers in here.





COMMISSIONER JOHNSTON: Well, I asked you the question mainly because we were unpopular over at the press table. They did not have anything to go by.

MR. O'BRIEN: Well, sir, my prime consideration here was to bring the facts to the attention of the Commission. I regret personally any inconvenience.

COMMISSIONER JOHNSTON: You know a great deal of what you had to say so eloquently in such a pleasant Irish voice has very little to do with the case. That is my opinion. The matter of expenditures in Canada; the investment in Canada; employment in Canada. It could be a valid argument for presentation to the Tariff Board on an application for protection or otherwise but this Commission has to deal with something that has been set forth in the Terms of Reference and you cannot understand how scared I am talking to you with your position as one of the leading counsel --

MR. O'BRIEN: I am equally scared here, sir.

COMMISSIONER JOHNSTON: I am looking for my scattered notes. I had the Terms of Reference.

MR. O'BRIEN: May I say immediately, sir, that I know the Terms of Reference and the questions to which I adverted were questions that had come up because of other publications remarks so I thought mine might be interesting in the same way.



COMMISSIONER JOHNSTON: Let us get at the main point that it seems you did not consider. That is: you gave a figure of \$490,000 for the entire editorial expenses for Canadian Reader's Digest.

MR. O'BRIEN: No sir, I did not.

COMMISSIONER JOHNSTON: What did you say then?

MR. O'BRIEN: I said we paid \$490,000 for the material from the central pool, as I recall. That is over two years. We have our own editorial costs in Canada in addition.

COMMISSIONER JOHNSTON: You paid a quarter of a million a year.

MR. O'BRIEN: That is a fair figure, yes.

COMMISSIONER JOHNSTON: I have here some figures from Maclean's - I think they are and the total editorial costs they gave were \$567,000.

MR. O'BRIEN: Yes. May I explain. I perhaps did not do it properly. Primarily the difference is this: in the size of the book. As I pointed out if we tried to put our editorial material into a larger size format, we would only have 46 or 47 pages of editorial matter. I don't think that is many articles.

COMMISSIONER JOHNSTON: Does Maclean's have more than 46 pages of editorial matter?

MR. O'BRIEN: I don't know. I know nothing about Maclean's editorial costs.



COMMISSIONER JOHNSTON: I mean content. Maclean's has say 90 pages. 50-50 would be 45.

MR. O'BRIEN: In relation to our advertising it certainly would be -- that would be 46 pages. It could be 47 or 48 pages. If we had that editorial material in the larger size format we could not carry our advertising. It would not be eligible for the post office regulations.

COMMISSIONER JOHNSTON: Here is another point. Perhaps it is more important than anything you or I have said so far. You gave a figure - I jotted it down - of \$592 per article. Is that relating to Maclean's average or was that yours?

MR. O'BRIEN: That was ours, as we computed it.

COMMISSIONER JOHNSTON: Maclean's would give \$500 to \$600 for an article.

MR. O'BRIEN: We gave the figures.

COMMISSIONER JOHNSTON: Here is the difference. Here is the whole thing, absolutely the whole thing. When you pay \$592 for an article for Canadian Reader's Digest, that is only a small portion of the cost of the article; one-twenty-first, if it is divided evenly; whereas a writer for Maclean's if he got \$592 that is all he gets. He can't probably afford to write for Maclean's when he could well afford to write for Reader's.

MR. O'BRIEN: Yes. I appreciate that fully. The point that I tried to develop was this:



let us assume to start with - there is some talk of unfair competition - let us assume to start with that we get the articles for nothing. If the price at which we sell our publication to the public and the price at which we sell our advertising are not such as to undersell the others then what does it matter what the costs are? You are not underselling then. They are not complaining about the fact that we are making a profit. They are complaining that there is unfair competition and unfair competition can only occur in one field or the other; subscription prices or advertising prices.

COMMISSIONER JOHNSTON: But what has the publication to sell? What does Reader's Digest propose to sell me?

MR. O'BRIEN: That is very good. As a matter of fact --

COMMISSIONER JOHNSTON: A four cent stamp.

MR. O'BRIEN: My wife took the stamps.

COMMISSIONER JOHNSTON: I took trade stamps.

They propose to sell me the editorial content of their paper.

MR. O'BRIEN: That is right.

COMMISSIONER JOHNSTON: But the content of the paper is not worth anything without its editorial content.





MR. O'BRIEN: I couldn't be more fully  
in agreement.

--- Page 200 follows.



COMMISSIONER JOHNSTON: If you have a great advantage in the acquisition of the editorial contents over Maclean's or Saturday Night -- if you have a great advantage, you are going to compete with them in a way that is -- I don't like to use the word -- unfair competition -- but it is inequitable competition.

MR. O'BRIEN: "Inequitable" in the sense we undersell them?

COMMISSIONER JOHNSTON: No. Inequitable in the sense that they have to buy some editorial material to compete with your editorial material --

MR. O'BRIEN: Yes.

COMMISSIONER JOHNSTON: You pay up to \$5,000 for an article and they -- maybe once in 20 years when Mr. Chalmers is away, spend that much for an article but not when he is at home.

MR. O'BRIEN: Well, that is quite true.

COMMISSIONER JOHNSTON: That is the whole question. There is no other.

MR. O'BRIEN: No. My submission, sir, is I don't think you can say there is unfair competition unless you are talking of a situation where you undersell. If you are not underselling, what is unfair?

COMMISSIONER JOHNSTON: If I can get editorial material free that is as good as yours --



MR. O'BRIEN: Yes.

COMMISSIONER JOHNSTON: I can't compete inequitably with you, if I can get it free. You are getting it nearly free.

MR. O'BRIEN: You may say potentially you can compete, if you don't compete inequitably. If, notwithstanding the fact that you have it and you charge not only less but more than the other man does, then can you say that there is unfair competition in trying to get subscribers?

COMMISSIONER JOHNSTON: You have got the subscribers in the first instance because your editorial material was of high quality in its field.

MR. O'BRIEN: We hope so.

COMMISSIONER JOHNSTON: Very high quality. You got the circulation and once you got the circulation you could sell advertising and sell more advertising than any Canadian publication that has not the facilities for getting that editorial material.

MR. O'BRIEN: Well again, you have the question of price. Let me put it this way. Would you say that there was unfair competition -- I have to be careful of the papers I pick -- would you say there was unfair competition because somebody buys editorial material from the New York Times and gets the columnists of the New York





Tribune -- as it happens, the Montreal, Toronto or Ottawa papers is getting a source of material which certainly in the case of Walter Lippman, I don't think, they could pay alone.

COMMISSIONER JOHNSTON: The Montreal Gazette, I guess, has the New York Times service.

MR. O'BRIEN: I think it is the Herald Tribune.

COMMISSIONER JOHNSTON: Some other paper has the Chicago Daily News service, but in this case there is only one source. Will you sell some of your material to some of the struggling Canadian magazines?

MR. O'BRIEN: No sir.

COMMISSIONER JOHNSTON: You wouldn't sell it?

MR. O'BRIEN: No sir. To start with, the important thing that has to be remembered is that by reason of the nature of Reader's Digest only its material can be included. We cannot take a chance that editorial discretion is going to be used to include other material of which we might not approve.

COMMISSIONER JOHNSTON: Supposing we think about it overnight.

MR. O'BRIEN: Certainly.

COMMISSIONER JOHNSTON: I have some further questions and I think we want to discuss



some of your financial figures.

MR. O'BRIEN: I may say that the articles sir, are available in another sense that before we get them we offer them to many of these publications.

COMMISSIONER JOHNSTON: You offer them to small publications?

MR. O'BRIEN: No sir; not necessarily a small publication.

COMMISSIONER JOHNSTON: What do you call large? What is the biggest publication you use in that way in recent years?

MR. O'BRIEN: I beg your pardon?

COMMISSIONER JOHNSTON: What is the largest publication that you have used in that regard in recent years?

MR. O'BRIEN: I will have to check it and I am not sure, without the authorization of some of these publications, that we should disclose it in public, but I will certainly make that available for the Commission.

THE CHAIRMAN: We will adjourn until 10.30 in the morning.

---Whereupon the Commission adjourned at 5.12 p.m.  
until 10.30 a.m., Friday, January 20, 1961.



ROYAL COMMISSION ON

# Publications

HEARINGS

HELD AT  
OTTAWA

VOLUME No.:

32

DATE:

JAN 20 1961

OFFICIAL REPORTERS  
ANGUS, STONEHOUSE & CO. LTD.  
372 BAY STREET  
TORONTO  
EM. 4-7383 EM. 4-5865



ROYAL COMMISSION ON PUBLICATIONS

Rebuttal and argument before the  
Royal Commission on Publications  
held in the Parliament Buildings  
Ottawa, Ontario, at 10.30 a.m.  
Friday, January 20th, 1961.

COMMISSION:

M. GRATTAN O'LEARY	Chairman
J. GEORGE JOHNSTON	Member
CLAUDE P. BEAUBIEN	Member

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P. MICHAEL PITFIELD	Secretary
G. H. QUINN	Administrative Officer

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# I N D E X

Page No.

## SUBMISSIONS:

Reader's Digest (contd.) (Mr. J.L. O'Brien)	1 - 41
Rebuttal of B.N.A. (Mr. J.L. Craig)	42 - 57
Recommendations of Graphic Arts Industry (Mr. D. Maclellan)	57 - 97
Time International Inc. (Mr. L. Laybourne)	98 - 104
Realm News Service	111
Professional Engineers of Ontario	122
National Business Publications	130

## EXHIBITS:

No. O-160: Letter from The Montreal Standard Publishing Company	105
--	-----



---Upon resuming at 10.30 a.m.

MR. QUINN: Will you identify yourself for the record again, please?

MR. O'BRIEN: John L. O'Brien.

Sir, before the proceedings open I would like to make a short correction. Mr. Chalmers was good enough to tell me this morning that what I understood to be correct was an error in fact when I said Maclean's had started off in a size of a digest. What Mr. Chalmers did say was it started off as a digest. I misinterpreted that to mean it was digest in size. May I say my opinions can be questioned, but if there is any question whatsoever as to any of the facts I have given I would like the Commission to ask me openly, because I hope they are all correct, both in the brief and anything I have said.

THE CHAIRMAN: Thank you, sir.

COMMISSIONER JOHNSTON: Mr. O'Brien, yesterday when, at least I paused for breath -- maybe you did too.

MR. O'BRIEN: Very gladly too.

COMMISSIONER JOHNSTON: We were discussing the Reader's Digest editorial cost, and my belief is that the editorial costs are much lower, in fact, only a fraction of what they would be if Reader's Digest Canada were not an American publication

36.

working out of New York State. I think you were inclined to argue the other way. Is that a fair statement?

MR. O'BRIEN: No sir. I don't mean it is not a fair statement. I don't fully agree with it. This is a question which I may say is not unique to the periodical business. It is one which I have had occasion to deal with before. Perhaps I could give you an analogy. Down in New Jersey there are the famous Bell Telephone Laboratories where with the immense resources of the American telephone and telephone companies they are developing electronic things, things of all kinds. These are much beyond the resources of any one company.

Now, it is public knowledge, I know, because I led a witness who said it before the Board of Transport Commissioners that the Bell Telephone of Canada pays for a share of that. It pays for a share in the pool very much as Reader's Digest pays for a share of the editorial material. They, for instance, bring up the design for a new telephone which they sell in Canada in competition with others, ~~say~~, or Northern Electric. It is in competition with others, something that could ~~never~~ be done at the price if it were intended only for the number being sold in Canada. It is a method of geographical light here that we have, both the advantages and disadvantages of this great pool of knowledge.

I think you were

... that's all.

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I suppose, in another sense, you could say that the Royal Ballet which appeared in Montreal last week and is going to be in Toronto this week or next week could never be produced here at the cost or could never be afforded here if all the costs were borne here. It might be said it is competition for the National Ballet. I think the only question is do you undersell.

COMMISSIONER JOHNSTON: It is more than that. It is much more than that. I am not particularly interested in the ballet, not this morning anyway. I looked at this thing the other way last night with the help of a chartered accountant and a statistician. If the Reader's Digest Canada paid a quarter of a million a year roughly to the Reader's Digest down below and that is  $3\frac{1}{2}$  or 4% of the total costs, that means if you work backwards, that means that the Reader's Digest in the States has an editorial budget or resources of \$7,000,000 plus. Is that right?

MR. O'BRIEN: I don't think it is, but I will give the exact figures in confidence to the Commission.

COMMISSIONER JOHNSTON: We don't take anything in confidence.

MR. O'BRIEN: I think you did some, because there is that undertaking.

COMMISSIONER JOHNSTON: There is no



undertaking that I was a party to that any figures come in in confidence. What we did say that certain figures we didn't need to publish we wouldn't publish. The judgment is ours.

MR. O'BRIEN: I am in full agreement with you. I think there was an undertaking the Commission would discuss the question of release.

COMMISSIONER JOHNSTON: Have you told us it was 4% or 3½%.

MR. O'BRIEN: I think it is a higher percentage than that. I haven't got the exact figures.

COMMISSIONER JOHNSTON: That wasn't what Mr. Zimmerman told us in the earlier hearings.

MR. O'BRIEN: Mr. Zimmerman said we were roughly one-twentieth of the total circulation. I will get the exact percentage.

COMMISSIONER JOHNSTON: Then what you pay is one-twentieth of the total costs?

MR. O'BRIEN: Approximately.

COMMISSIONER JOHNSTON: That would be \$5,000,000. Let us take the lower figure. There is no Canadian magazine that has resources like that or could ever possibly have.

MR. O'BRIEN: I couldn't be in fuller agreement.

COMMISSIONER JOHNSTON: Your analogy of the telephone company is somewhat different



for the reason that the telephone company in each part of the country in which it operates is a monopoly.

MR. O'BRIEN: No, sir, not necessarily, not in the sale of that equipment. Sale of that equipment is to a big variety of telephone companies in Canada, and for that there is great, great competition.

COMMISSIONER JOHNSTON: But the service to the public is non-competitive?

MR. O'BRIEN: It is not the service to the public I was speaking of. It was the sale of the telephone equipment to the companies.

COMMISSIONER JOHNSTON: Any Canadian company can buy that equipment if they have the price.

MR. O'BRIEN: No sir.

COMMISSIONER JOHNSTON: They have to buy it...

MR. O'BRIEN: They have to buy it from the people who have contributed to the pool to get it.

COMMISSIONER JOHNSTON: Can you name a telephone company that is not in the pool?

MR. O'BRIEN: There is no telephone company in Canada except the Bell which operates in parts of Quebec and Ontario. All the other companies are not.

COMMISSIONER JOHNSTON: I don't see the





analogy at all because the telephone company operates in specific districts. I think the last of the competitive telephone companies went out in Welland County about ten or fifteen years ago. At any rate, Reader's Canada has exclusive access to the \$5,000,000 editorial costs; is that right? Can you name any Canadian magazines or magazine companies that has \$5,000,000 or anything like that for its editorial resources?

MR. O'BRIEN: I don't know of their resources, but I certainly couldn't name them.

COMMISSIONER JOHNSTON: I think their resources are fairly well known. Maclean's editorial costs in 1959 were \$567,000. I hope that is not a confidential figure. It isn't now anyway.

We have here the figures for ten years beginning in 1950 to, I believe, 1959. It says Reader's Digest Association Canada Limited came into Canada with a capital of \$10,000.

MR. O'BRIEN: Perhaps I should comment on that sir.

COMMISSIONER JOHNSTON: I wish you would.

MR. O'BRIEN: If this weren't a straight case of parent subsidy that amount could be put in as \$10,000 or \$10,000,000. A highly successful operating periodical publishing business was given to this new company for nothing. If that is going to earn half a million or a





million dollars in a year it could have easily been entered into the books as sold for \$10,000,000 and shares issued according to that. That is very, very frequently done.

COMMISSIONER JOHNSTON: Would the Reader's Digest Association U.S. give to the Reader's Digest Canada a mailing list, paid-up subscriptions?

MR. O'BRIEN: No. It was more than a mailing list. It gave them an established business. If I might discuss the case of Chatelaine taking over - what is it - Canadian Home Journal. There they have to encourage these people to transfer their subscriptions from one to the other. It was a valuable thing. Here you had an established business. The subscriber didn't have to be approached or anything else. It was just transferred over as a going concern.



COMMISSIONER JOHNSTON: When was that done?

MR. O'BRIEN: It was done in 1958 -- or, rather, in 1948. They first started printing in Canada a copy of the U.S. edition in 1943 and they continued on until 1948 when the Canadian editorial edition was set up with its own staff.

COMMISSIONER JOHNSTON: I do not think you would have valued it at anything like \$10 million.

MR. O'BRIEN: I picked a figure out of the air.

COMMISSIONER JOHNSTON: It is a nice high figure.

MR. O'BRIEN: As between two parties who are parent and subsidiary, if you want to fix your books up to make them look well, you can put any amount you like in and no one can complain.

COMMISSIONER JOHNSTON: You came in and you set it up with \$10,000. Let us make it a million. Would you settle for a million?

MR. O'BRIEN: If I can get the business in which I am going to earn a million a year for a million, I would be very happy.

COMMISSIONER JOHNSTON: That is the point I am getting at. Your business in 10 years had a net profit, after taxes ...

MR. O'BRIEN: May I just intervene, sir?

COMMISSIONER JOHNSTON: Yes.



MR. O'BRIEN: I do not know whether you wish to quote the figure. I think this is the first time in these proceedings that the figures related to any of the publishers have been quoted. Now, if it is the feeling of the Commission that they want to do so, I would think we would like to know what the others are too.

COMMISSIONER JOHNSTON: Maclean's figures have been quoted.

MR. O'BRIEN: I did not know that they had. In detail ...?

COMMISSIONER JOHNSTON: I think so. Chatelaine figures are quoted. They volunteered what their losses were.

MR. O'BRIEN: Yes. It is a question I am perfectly happy to discuss.

COMMISSIONER JOHNSTON: I think it is pertinent that we ...

MR. O'BRIEN: It is quite pertinent if the figures of the others are available to us for a comparison. These are highly confidential as between the ...

COMMISSIONER JOHNSTON: I do not wish to embarrass you or injure Reader's Digest.

MR. O'BRIEN: I know you don't.

COMMISSIONER JOHNSTON: But, it seems to me that in view of the fact that we have had the losses of Canadian magazines given to us in considerable





detail it is pertinent to find out how much you earn on what.

MR. O'BRIEN: That is entirely within your discretion. But I do not think the Commission asked anyone about their losses. They were only too happy to volunteer them, and it is within the discretion of the Commission, having these figures before them, to ask me anything it likes.

COMMISSIONER JOHNSTON: I am quite sure that Mr. Chalmers would be glad to volunteer the profits, if he had any. Well now, in every year from 1950 to 1959, with one exception, substantial dividends were paid?

MR. O'BRIEN: Yes, sir.

COMMISSIONER JOHNSTON: In 1953, for reasons not apparent, or perhaps not important, there ~~were~~ no dividends.

MR. O'BRIEN: That is true.

COMMISSIONER JOHNSTON: Now, in 10 years, including the year in which there were no dividends, the total dividends paid to Mr. and Mrs. Wallace were \$4,379,000?

MR. O'BRIEN: I think that is correct. They are not paid to Mr. and Mrs. Wallace. They are paid to the parent company.

COMMISSIONER JOHNSTON: They own the parent company?



MR. O'BRIEN: Yes. It does not mean that it goes directly into their pockets.

COMMISSIONER JOHNSTON: I was thinking all morning that this might be just a Christmas present each time to Mr. and Mrs. Wallace. In one year, it was \$700,000, and the lowest was \$82,837?

MR. O'BRIEN: Yes. We are very proud of it.

COMMISSIONER JOHNSTON: Yes. I wish they would sell me some shares. But, this extraordinary profit, compared to any printing or publishing operation in Canada, has been achieved, I believe, in large part, because your editorial expense is peanuts? That is not a parliamentary word...

MR. O'BRIEN: I would respectfully submit that if you analyze the figures you will see that there are some very, very other important factors there. You have, first, the fact that practically all of those dividends, double those dividends in each year probably could be realized by the margin of circulation revenues over circulation expense, something none of the other publications have said they are able to achieve. There is where your profit lies.

COMMISSIONER JOHNSTON: Don't you think it also lies in the fact that you can get the most expensive writers in the world into this paper for virtually nothing?



MR. O'BRIEN: Now, of course it does and it also lies in the fact that we have a cheap product to produce -- a quarter of the paper, cheaper plates, less ink. May I say that these dividends are not all from the magazine operation. They are the total company.

COMMISSIONER JOHNSTON: They are related to the magazine?

MR. O'BRIEN: They are related to the magazine.

COMMISSIONER JOHNSTON: The other earnings would not be there if it weren't for the magazine; is that correct?

MR. O'BRIEN: I am in full agreement.

COMMISSIONER JOHNSTON: Now, your percentage of profit to total revenue has averaged 8.3 and we have had some figures from Canada and other figures from the United States -- I think McGraw, Hill is the only other one that we have heard of that even remotely approaches that; is that correct?

MR. O'BRIEN: I am sorry. I did not get the question.

COMMISSIONER JOHNSTON: I wish I had. Maybe the reporter will read the question back.

THE REPORTER: "Now, your percentage of profit to total revenue has averaged 8.3 and we have had some figures from Canada and other figures from the United States -- I think McGraw-Hill is the only other one that we have heard of that even remotely approaches that; is that correct?"



MR. O'BRIEN: I do not know. I have not seen the figures of the other companies.

COMMISSIONER JOHNSTON: Well, you missed a lot of fun, Mr. O'Brien, by not travelling with us.

MR. O'BRIEN: I did not think those figures were ever actually on the record for the other periodical publishers in Canada. I followed the record pretty closely and I think they are in the hands of the Commissioners.

COMMISSIONER JOHNSTON: I am not absolutely certain.

MR. O'BRIEN: Well, neither am I.

COMMISSIONER JOHNSTON: But, the figures of losses on the consumer magazines appeared in the first week?

MR. O'BRIEN: Yes. I am in full agreement, but you were talking of percentages and, therefore, I have no recollection.

COMMISSIONER JOHNSTON: Yours is a percentage of total of profit and if there is no profit, there is no percentage?

MR. O'BRIEN: There are some. For instance, Maclean's shows operating at a profit.

COMMISSIONER JOHNSTON: That is the overall Maclean-Hunter?

MR. O'BRIEN: No -- Maclean's magazine.

COMMISSIONER JOHNSTON: Oh, it does.





MR. O'BRIEN: Yes.

COMMISSIONER JOHNSTON: Because you people have such a substantial surplus you are able to spend a lot more money on advertising promotion than other papers can. Your average over the 10 years has been 18.2 per cent and in 1959 it was 19, and so forth. One year it was 20. I suggest that the other publications are not able, financially, to do promotion on that scale?

MR. O'BRIEN: Well, you are getting into the area in which you have a lot more experience than I, but I would think that if spending 20 per cent results always in 100 per cent advertising, that anyone could afford to do it.

COMMISSIONER JOHNSTON: Maclean's -- and from what I know of them they are quite willing to try to spend money to get money -- their percentage in 1959, or rather, in 10 years, was 12.3 and in 1959, 11.6; and the difference is that Reader's Digest spent \$733,000 in 1959 and Maclean's advertising promotion was \$408,000?

MR. O'BRIEN: And we got more advertising.

COMMISSIONER JOHNSTON: You should.

MR. O'BRIEN: Yes.

COMMISSIONER JOHNSTON: On the basis of promotion? But, my whole point is that you can afford to go after it. You probably are able to attract the best grade of salesmen; whereas, if I



were running some small magazine, I would probably have to do all the promotion myself.

MR. O'BRIEN: I would just suggest, sir, and I am not asking for an open comparison of figures -- it is a question of where you spend the money. Look at the other magazine circulation promotion expense and see what they are.

COMMISSIONER JOHNSTON: I will concede that they are much too much.

MR. O'BRIEN: I would say if they were diverted over to the advertising, they would have a higher percentage and better revenues.

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C/bo 1. COMMISSIONER JOHNSTON: That is a matter of business judgment. I tried to go into that with Mr. Chalmers. I didn't get very far because that is a matter of judgment.

MR. O'BRIEN: I may say I just had a note here that from the figures we have seen we have a smaller sales staff, for instance, than Maclean-Hunter has on advertising.

COMMISSIONER JOHNSTON: Time said they had 12 or 13. Mr. Chalmers said they had about the same number.

MR. O'BRIEN: We have 9.

COMMISSIONER JOHNSTON: Do you use visual aids very much?

MR. O'BRIEN: I am afraid you are getting beyond my department altogether. I do not use them.

COMMISSIONER JOHNSTON: You showed some ability with them yesterday.

MR. O'BRIEN: I was learning.

COMMISSIONER JOHNSTON: Well now, we have established you people have at least \$5 million of an editorial pool from which Canadian magazines can draw. Is that right?

MR. O'BRIEN: That is correct.

COMMISSIONER JOHNSTON: That is the main question really, that no Canadian publisher domiciled in Canada, without rich uncles, could possibly meet your competition.





MR. O'BRIEN: Well, there is one concern I have about this and I am perhaps not certain as to the implications. I am not sure that it is being suggested that the editorial material of Reader's Digest is superior to that of the other Canadian periodicals.

I am sure Mr. Chalmers would deny it. If it is not, just because its material of one type, I don't think it changes the factor at all. A high circulation magazine is probably always going to pay a writer more than a low one.

COMMISSIONER JOHNSTON: You have 20 million circulation.

MR. O'BRIEN: 21, yes, but I don't think that Mr. Chalmers or any of the others here take the position that their editorial material is inferior.

COMMISSIONER JOHNSTON: No, I didn't think you would. I said yesterday your editorial material, in my opinion, was excellent for its kind. It is a different kind of editorial material from that which you have in the daily paper or the traditional type of magazine. I read "The Little Wonder" -- don't tell anybody I did. I had to go behind the barn to get a hold of a copy. There it shows that Mr. Eric Johnston got \$25,000 for an article. Now, assuming that there is some article by somebody available in Canada, no Canadian publication could



possibly compete with that.

MR. O'BRIEN: Well, some of them are allowed to because we provide them with articles.

COMMISSIONER JOHNSTON: Well, you are not going to get into that, are you?

MR. O'BRIEN: That is the fact of life. May I say one question you asked yesterday for which I did not have the answer was you said "very small ones" and the answer is "No. They have given to some of the larger ones." In the same vein --.

COMMISSIONER JOHNSTON: What larger ones?

MR. O'BRIEN: Unless the publishers -- I will again tell the Commission that but unless the publishers of those articles themselves consent to us disclosing it, I am afraid I couldn't tell you.

COMMISSIONER JOHNSTON: Eventually they appear in your publications.

MR. O'BRIEN: It does not appear whether we had originally asked them to publish it or we just picked it up from them.

COMMISSIONER JOHNSTON: One of the publications -- you gave a list or Mr. Zimmerman gave a list of publications in his first presentation including the Atlantic Advocate. That is a small publication even though it is a good one. Did the author get paid there or did the publisher?



MR. O'BRIEN: I understand that the publisher did not get a cent.

COMMISSIONER JOHNSTON: He didn't get a cent?

MR. O'BRIEN: No.

COMMISSIONER JOHNSTON: He got an article of much superior quality than he could have if he had paid for it himself.

MR. O'BRIEN: We would never suggest that our articles are not of superior quality.

I do not wish to get into comparisons with others. I think it is a real help. There is nothing that Reader's Digest wishes more than that the best of articles appear in it whether they are the agents or not because that is the lifeblood of Reader's Digest.

COMMISSIONER JOHNSTON: We were told yesterday of one that had been turned down.

MR. O'BRIEN: Yes.

COMMISSIONER JOHNSTON: On the editorial judgment of the Canadian editor.

MR. O'BRIEN: That is right.

COMMISSIONER JOHNSTON: I don't think that this has much bearing on the fact, I think, on your own figures that you have \$5 million to play around with editorially per annum. You went into an analogy in one field yesterday. I would like to go into another. If a publicly owned



hydro-electric system -- and we seem to have plenty of them around -- pays no taxes, it has a great advantage over other public utilities that must pay taxes.

MR. O'BRIEN: Well, it has an advantage but then the question arises. We have that situation in Quebec. It would not be in direct competition. We have a national analogy where we have got a privately owned railway and a publicly owned railway. Just let us look at that.

COMMISSIONER JOHNSTON: You know a lot about that, do you not? Would you not say that a publicly owned railway has a great advantage over a privately owned one?

MR. O'BRIEN: In attracting customers? Not if it doesn't undersell.

COMMISSIONER JOHNSTON: Let us leave that. We know you have \$5 million to pay me for an article. You say you do not undersell. What is the combined cost of a page in Reader's Digest of your French publication?

MR. O'BRIEN: This is advertising?

COMMISSIONER JOHNSTON: The combined rate.

MR. O'BRIEN: I think it is in the appendix, isn't it? It shows that -- four colour or black or white?





COMMISSIONER JOHNSTON: I don't care, I am not going to buy it anyway.

MR. O'BRIEN: It is \$5,580. All the rates are on page 37 of the appendix.

COMMISSIONER JOHNSTON: \$5,000 --

MR. O'BRIEN: \$5,580

COMMISSIONER JOHNSTON: For black and white?

MR. O'BRIEN: No, four colour.

COMMISSIONER JOHNSTON: Combined?

MR. O'BRIEN: Yes.

COMMISSIONER JOHNSTON: What is the French rate by itself?

MR. O'BRIEN: That I don't think I have in the appendix. What was the last question, sir?

COMMISSIONER JOHNSTON: What is the combined rate for French and English.

MR. O'BRIEN: We gave the combined rate at \$5,580.

COMMISSIONER JOHNSTON: What is the French rate by itself?

MR. O'BRIEN: \$1,435.

COMMISSIONER JOHNSTON: What is the English rate by itself?

MR. O'BRIEN: \$5,155.

COMMISSIONER JOHNSTON: So bought separately it is \$6,590.

MR. O'BRIEN: That appears to be right, yes sir.



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COMMISSIONER JOHNSTON: Bought in combination it is \$5,580.

MR. O'BRIEN: Yes.

COMMISSIONER JOHNSTON: Is that not loss leadering?

MR. O'BRIEN: Well, I don't know what loss leadering means in this respect. This question doesn't come to me as a surprise, I may say. The question of getting national advertisers to advertise in both the English and French edition was a new one and a new venture which had to be encouraged by giving them a better rate for the two than the combined rate or combination of the two rates would be.

We think that we have at this stage pretty well established the thing. It is getting very hard to get your rates changed. As I said, when you get embedded in things they are very, very hard to get out of. It may be something that is going to have to be adjusted.

COMMISSIONER JOHNSTON: If you were trying to run a French-language magazine in the province of Quebec without any English affiliate or any source of editorial material from the United States, wouldn't you find it pretty tough to try to compete with this sort of Monday morning special that you people put on?

MR. O'BRIEN: Again perhaps you are getting



me a little out of my area, but remember this: The people who are doing this have to take not only a couple of hundred thousand circulation of the French one, they have to take a million of the English ones to do that. It is national advertising. We have not had --. **Our** reception by the purely French-owned press in Canada, may I say, has been very, very good.

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COMMISSIONER JOHNSTON: By your competing magazines?

MR. O'BRIEN: Yes, our relations are most happy with them.

COMMISSIONER JOHNSTON: You said on this same matter, price, you said you never undersold. This interesting book says "Reader's Digest, housewives and cost per thousand".

MR. O'BRIEN: I am sorry, what is that?

COMMISSIONER JOHNSTON: This is a book called The Canadian Marketing and Advertising Book. I think it is yours. It is published by you, Reader's Digest Montreal. It is a survey in depth, I guess. I don't know what that means, but it is.

MR. O'BRIEN: Which number is that? They show a number on the cover.

COMMISSIONER JOHNSTON: It is number 4.

MR. O'BRIEN: I speak as if I knew it. I have never seen it before.

COMMISSIONER JOHNSTON: I thought you had every bit of information in your extemporaneous discussion yesterday. Book number 4 and just taking this one page unless you are interested further...

MR. O'BRIEN:: We seem to have 3 and 5 here, but I will listen.

COMMISSIONER JOHNSTON: If you have



another one.

MR. O'BRIEN: Have you 5 there? 4 seems to be missing from this book.

COMMISSIONER JOHNSTON: I am afraid I haven't. 4 is as far as I have got.

MR. O'BRIEN: We have 3.

COMMISSIONER JOHNSTON: Let us try 3.

MR. O'BRIEN: 1, 2 and 3 are here.

COMMISSIONER JOHNSTON: I don't think it covers what I want.

MR. O'BRIEN: You go right ahead. I didn't know it was going to come up or I would have sent for 4.

COMMISSIONER JOHNSTON: Housewives and the cost per thousand. Would that be readers or would it be copies?

MR. O'BRIEN: Cost per thousand, readers or copies.

MR. ZIMMERMAN: Would you mind repeating the question?

COMMISSIONER JOHNSTON: Housewives and cost per thousand on page 49.

MR. ZIMMERMAN: Cost per thousand per page, presumably the housewives estimate in total circulation.

MR. O'BRIEN: The number of readers who are housewives according to a survey.

COMMISSIONER JOHNSTON: We are all experts in this one. We are confused. Reader's



Digest says to reach a thousand readers through Reader's Digest it costs \$3.06; is that correct?

MR. ZIMMERMAN: \$3.06?

COMMISSIONER JOHNSTON: \$3.06. Am I phrasing the statement properly? The cost per thousand Reader's Digest housewife readers is \$3.06; Chatelaine, \$4.57; Canadian Homes and Gardens, \$5.51; Liberty, \$6.17; Maclean's, \$6.50; Star Weekly, \$4.16 and Weekend, \$4.71. I am not sure that I am right here, but isn't that underselling or a proposal to undersell.

MR. O'BRIEN: I think perhaps Mr. Zimmerman with your permission should answer this. I haven't the faintest idea what it means.

MR. ZIMMERMAN: If I might explain, sir, that line and column, if you will, would reflect what you have calculated. We have left out many other facets of the total analysis. You are discussing these figures, they come to light in the sense of service to the audience. They are audience served. We have served "x" people or housewives. We have "y" or something else that might be businessmen. This then is reflected into our rate structure. The specific segments of the total audience go into this per thousand, in the sense of what we are offering the advertiser. By only taking one segment without taking the broad operation, in my opinion, would be an entirely unfair valuation. There are many



other segments of that going together. There are many other factors.

COMMISSIONER JOHNSTON: You produce it for the purpose of persuading the advertiser he gets more value from Reader's Digest than others.

MR. ZIMMERMAN: I will tell you exactly why we produce this. We produce this to provide the advertiser with intelligent market information that reflects the value in Reader's Digest in comparison with others in some detail, reflected in the total audience of various of our circulation. If you will pardon me simply taking the housewives section - those books contain the whole pattern. Without the whole pattern...

COMMISSIONER JOHNSTON: I see from others, National Publications read and preferred by retail grocers in Canada. According to this 39% - I beg your pardon - read at least every other issue, 63% Reader's Digest; 31% Time - Liberty; 30% Time; 8% Chatelaine. Surely you wouldn't expect retail grocers to spend much time on Chatelaine.

MR. O'BRIEN: I wouldn't expect a retail grocer or lawyer or advertising man would be too interested in Chatelaine. His wife might.

COMMISSIONER JOHNSTON: It seems to me you people are aggressively trying to sell advertising.





MR. O'BRIEN: Just as hard as we can.

COMMISSIONER JOHNSTON: You have considerable advantage with your 20% over Canadian magazines that can spend less than 20% of revenue for that purpose.

MR. O'BRIEN: I don't think we have any advantage at all in that respect. The choice is one of good management as to whether in spending money you are going to get a return. I don't think that anyone would say he wouldn't spend 20% to get 100% and it is a question of good management to spend it, spending judiciously and seeing you get a return.

COMMISSIONER JOHNSTON: First of all you have to have the 20%.

MR. O'BRIEN: Not necessarily.

THE CHAIRMAN: Do you say the Ottawa Journal could spend as much as the New York Times?

MR. O'BRIEN: I don't think it would get the advertising. The Ottawa Journal would spend as much as in the judicial management's decision it should spend to get the maximum amount available. That is what we are trying to do. If I go to my bank and say if you will lend me \$20 I will earn \$100 I think they will lend me the \$20.

COMMISSIONER JOHNSTON: It is highly probable.

THE CHAIRMAN: That is not what Stephen



Leacock said.

COMMISSIONER JOHNSTON: On circulation promotion...

MR. O'BRIEN: Yes, sir.

COMMISSIONER JOHNSTON: In 1959 you spent 54%. Your circulation promotion in 1959 cost you \$1,255,000. Right under that I have got percentage of circulation revenue. You spent more than half of your circulation revenue?

MR. O'BRIEN: I think we will be the only one in Canada that didn't spend 100% or more.

COMMISSIONER JOHNSTON: Of course, you have it to spend.

MR. O'BRIEN: I beg your pardon?

COMMISSIONER JOHNSTON: You spend in total dollars, you probably spent as much as any of them or more.

MR. O'BRIEN: We take in more dollars. We have a higher subscription price. We can afford to spend it.

COMMISSIONER JOHNSTON: O.E. McIntyre, you have some sort of connection with them?

MR. O'BRIEN: We have a modest share interest.

Perhaps I can explain. The McIntyre family are experts in this line of work. They were operating in the United States. When Reader's Digest opened up in Canada, or shortly afterwards,



it found there were no similarly experienced and available services, at least none they considered so. They asked the McIntyres if they would establish an organisation in Canada, and as part of the encouragement paid part of the expenses in putting it in here. That was in the form of a 10% contribution to the share capital. We have no interest other than that.

COMM\*SSIONER JOHNSTON: Do they test these mailings **for** you?

MR. O'BRIEN: I am informed that the test plan is that of Digest itself. They might do the mailings.

COMMISSIONER JOHNSTON: Well then, have you never used the mailing in Canada that you use in the States?

MR. O'BRIEN: I am told not at all.

COMMISSIONER JOHNSTON: What about the pennies that were circulated two or three years ago. It was the same mailing piece, according to the way I read it that you had in the States. I got a couple of pennies at my house.

MR. O'BRIEN: When I was preparing the submission I had to check over and get the American mailing pieces and you will certainly find that if we found that in the United States we had been successful by putting out something in a letter that might be adopted up here after testing to see if it was going to work in Canada, but you





wouldn't find the whole mailing piece the same,  
just the same way if Maclean's saw Reader's  
Digest successfully use pennies in the United  
States they might adopt the same practice. I  
don't think the whole material is the same.



COMMISSIONER JOHNSTON: My memory is that the ...

MR. O'BRIEN: The penny might be the same.

COMMISSIONER JOHNSTON: A Canadian penny -- and I remember, if my memory serves me -- I might be mistaken, but my memory is that I read about those pennies about the same day, or the same week, but I got them through the mail and there was quite a to-do about it in the States because I think it was making a shortage of pennies, if the pennies are of any use any more. Perhaps Mr. Zimmerman can answer this question.

MR. O'BRIEN: Word has just come from the circulation department that the penny brochure or formula was used in Canada approximately a year later than in the United States.

COMMISSIONER JOHNSTON: Well, all I had was my memory. Now, you people are particularly aggressive in your mail order business, mail order solicitation. I was interested in getting one circular that struck me as being a little bit new and I was wondering if Mr. Zimmerman can tell us whether it had any effect, because this invited me to "hurry" as this ... offer will expire soon. Why not do it right now before you forget. Stamps are enclosed. Sincerely yours." The other one was even more startling. Mrs. Davis had reserved a



subscription for me. That is the most extraordinary thing I have ever heard in the subscription line. Isn't this going a little beyond a reasonable mail order ...?

MR. O'BRIEN: You mean the type of solicitation, sir?

COMMISSIONER JOHNSTON: Yes.

MR. O'BRIEN: I do not pretend to be an expert on how soliciting should be done. I think that, in general, it has been well received.

COMMISSIONER JOHNSTON: That is fine. Now, yesterday, Mr. O'Brien, you made some allusion to the Canadian Weekly Newspapers Association.

MR. O'BRIEN: Only statistically, sir. I got the statistics and put them in to the record.

COMMISSIONER JOHNSTON: Were you well instructed on that?

MR. O'BRIEN: I hope so. I will check the figures here. They came from ...

COMMISSIONER JOHNSTON: ... marketing ...?

MR. O'BRIEN: It came from Canadian Advertising, which is a highly respected publication of Maclean-Hunter.

COMMISSIONER JOHNSTON: Yes. The Canadian Weekly Newspapers Association is a highly respected organization also?

MR. O'BRIEN: I understand it is.

COMMISSIONER JOHNSTON: I have known them



since 1920.

MR. O'BRIEN: I beg your pardon?

COMMISSIONER JOHNSTON: I have known that organization since 1920.

MR. O'BRIEN: Mr. Zimmerman says that he recalls that I said something that I do not recall saying. He says he thinks that I said Mr. Telfer was in error. What I intended to say, from the notes I had, was that Mr. Telfer was talking about members of his association and the figures I was giving were the whole weekly newspaper industry. I do not think he ever intended to mislead.

COMMISSIONER JOHNSTON: He certainly did not.

MR. O'BRIEN: No.

COMMISSIONER JOHNSTON: His organization has dropped from 620 publications to 520?

MR. O'BRIEN: That is correct.

COMMISSIONER JOHNSTON: I think that is what he said.

MR. O'BRIEN: We do not dispute those figures at all.

COMMISSIONER JOHNSTON: Well then, you went on, Mr. O'Brien, and made some remarks that there had been an increase in weekly newspapers in Canada?

MR. O'BRIEN: That is what Canadian Advertising says.





COMMISSIONER JOHNSTON: It is a reliable publication also?

MR. O'BRIEN: Yes.

COMMISSIONER JOHNSTON: Well then, have you taken the trouble to have checked the kind of paper that has increased in numbers?

MR. O'BRIEN: No, sir.

COMMISSIONER JOHNSTON: I telephoned Mr. Telfer this morning and told him, as well as I could, what you had said. Now, what he did say about the advertising was that the weeklies had lost about half of their national advertising.

MR. O'BRIEN: I did not think it was half, but it was only national, and that is what I said yesterday.

COMMISSIONER JOHNSTON: Well then, you quoted some figures from the D.B.S. suggesting, if my memory serves me -- I tried to follow your conversation -- you quoted some figures from the D.B.S. indicating that the weekly papers had increased their revenues?

MR. O'BRIEN: I have the note before me. I see that the note I had was that Mr. Telfer said, at Volume 28 of the transcript, page 137, that National Display Advertising, in the publications of members of his association, had decreased in the 10-year period from 25 per cent to 12 per cent. So, it is even more than half. I said there was



no way of checking those figures at all and the only figures we had were the D.B.S. figures for all advertising in the weekly newspapers and they showed an increase. They showed an increase from \$9,600,000, in 1949, to \$19,500,000 in 1958. That is all advertising.

COMMISSIONER JOHNSTON: Of course, for your information, I think it is generally conceded that while national advertising has been lost to television, Reader's Digest and other publications, the local advertising has increased, particularly in food?

MR. O'BRIEN: That is quite possible.

COMMISSIONER JOHNSTON: As to those additional publications that you appear to have found in marketing, I would point out to you that membership qualification in the Canadian Weekly Newspapers Association is that there is a subscription price and very many weekly publications -- what are known, irreverently as throw-away sheets -- no subscription applies. In this Toronto group of about 20, there are 6 that would not qualify for membership in the Canadian Weekly Newspapers Association.

MR. O'BRIEN: I would quite expect that. Yes.

COMMISSIONER JOHNSTON: So that I did not want to leave it on the record that my



friend, Mr. Telfer, had made a statement here that could be misinterpreted. It was not possible to call him back.

MR. O'BRIEN: If that inference was left in any way from what I said, I wish to say immediately that there was no intention of doing it. We spoke to Mr. Telfer and checked as to what he intended and found out from him that he was only talking of his own association and then we got the other figures, which were of the whole industry.

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He is highly respected by everyone, including our people.

COMMISSIONER JOHNSTON: I was brought up on the country weekly paper so I am a little sensitive about it. They are very, very important to the country as a whole --

MR. O'BRIEN: I couldn't agree more.

COMMISSIONER JOHNSTON: Both economically and politically. If you go downstairs to the post office here any morning when the members are getting theirs, you will see you will find that the only paper they do not throw away is the one from their home town.

I just wanted to remind you that they do like some advertising and they are unable to spend 20 per cent of their revenue in developing advertising.

MR. O'BRIEN: I can recall, sir, that the home weekly newspaper was delivered to my family many many years after they came to Montreal -- never gave it up.

COMMISSIONER JOHNSTON: Thank you very much. That is all.

COMMISSIONER BEAUBIEN: Mr. O'Brien, about the relations between Reader's Digest and the publishers of French language magazines in Canada -- I believe Mr. Sauriolle of the Bessette firm complained in his brief about the severe competition created by the



combined rates of Reader's Digest.

MR. O'BRIEN: Yes, I saw that, sir. When I was speaking of relations, I bore that in mind. Let me say this immediately: We do not take the position that everything we have done is perfect and I agree that my people may have to look at this question to see if there is some area there where something should be done. May I say this immediately: if the answer to this question is that we should be charging more, you do not have to encourage us much.

COMMISSIONER BEAUBIEN: Is there any possibility that through the established combined rates or future rates, that the French press in Canada here will be placed somewhat in the same situation as the English language magazines are with respect to Canadian editions of American magazines; if you understand what I mean; because the French language magazine will find itself and possibly is finding itself now in the position where they have to face that English language press in Canada here which has greater resources than they have.

MR. O'BRIEN: I think that is true, sir. I think I read at the meeting down in Quebec two or three months ago great concern was expressed. What I intend to say was: I don't think they felt that concern when Selection came into the market.



It may have come on afterwards, but we got a very hearty and sympathetic reception.

Now, when the example of a loss coming in, there may have been some concern come on.

I think perhaps the basic distinction is when the other Canadian periodicals came in, is that they are carrying roughly the same type of material. It is material of national character and perhaps to that extent Paris Match does not bother them as much as would another Canadian publication.

Do not let me suggest or try to suggest to you that everything we are doing either in advertising rates or anything else is perfect. But if the question is "put them up" we can put them up. There is nothing that would be more attractive to the ears of the advertising department or to the owners.

COMMISSIONER BEAUBIEN: That is all, sir.

THE CHAIRMAN: No questions. Thank you very much, Mr. O'Brien.

MR. O'BRIEN: Thank you and the other Commissioners.

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MR. QUINN: Mr. Craig.

MR. CRAIG: My name is J.L. Craig.

I am president of the Business Newspapers Association.

Mr. Chairman, my brief is a short one that will take about 15 minutes to read. In the interest of saving time and with your permission, if you wish, I will refrain from reading it and place it in the record. There are one or two comments, really, one or two points I want to make and I will speak to these very briefly.

THE CHAIRMAN: Surely.

COMMISSIONER JOHNSTON: You haven't anything very new in your brief.

REBUTTAL SUBMISSION OF BUSINESS  
NEWSPAPERS ASSOCIATION OF CANADA.

Appearance: Mr. J.L. Craig.

EXHIBIT NO. O-159.

Periodical Press Association is treating, in terms affecting the whole periodical industry, some of the points that were raised before the hearings and that may require rebuttal. It is the purpose of this Business Newspapers Association submission to comment very briefly on a few of the specific points raised by witnesses in connection with business publications.

Overflow Circulation

The Association of Industrial Advertisers,





Toronto Chapter, through Mr. Warne, stated "Our members do not agree that overflow circulation of foreign publications represents unfair competition, nor do they agree that there should be any penalty imposed on Canadian circulation of such publications."

In the questioning, Mr. Warne also stated that they were presenting their own opinion as it related to their own knowledge and Mr. Warne admitted that the publishers might know more about this particular subject.

In our brief, we submitted specific examples which, for the most part, were companies based in the United States, but aiming their advertising at the Canadian market through overflow circulation.

The Association of Industrial Advertisers represents a group of Canadian industrial advertisers who are well informed as to the merits of industrial advertising in Canadian publications. We appreciate their strong endorsement of the value of Canadian business publications, but even in this group, many of the advertisers do value overflow circulation. Mr. Warne has stated that his own company places a high value on overflow circulation.

Secombe House implied that in their opinion overflow circulation was not a problem.

In two of the fields they serve, Modern Medicine and Canadian Office, they are licensed to reprint editorial material from their partner



publications in the United States which stay out of Canada, so of course, they have no overflow circulation problem in these particular fields. In their brief, Mr. Seccombe gave a specific example - "For example, the overflow circulation into Canada of 'Publishers' Weekly', the magazine of the United States book trade, could be represented as being the reason for Quill and Quire's financial losses. However, this suggestion is untrue. It is poppycock; and we would be ashamed to give it any consideration." We agree. The Canadian circulation of Publishers' Weekly is 346 - Quill & Quire is 3,200. A U.S. overflow equivalent to only 10% of Canadian circulation is not serious. When it climbs to 30%, 40% or 50%, and when it is compounded by several titles in the same field with similar figures, this is when overflow is really a serious problem in the business paper field. If Seccombe House continues its present rate of growth and goes into more industrial fields, they will find overflow circulation is a bigger threat than they now realize.

McGraw-Hill Publishing Company Ltd.

based its presentation on overflow circulation. They stated ... "If the activities of the McGraw-Hill Publishing Company are representative of the activities of other U.S. business newspaper publishers, it can be amply demonstrated that U.S. business papers do not compete 'unfairly' with Canadian business papers." The McGraw-Hill Publishing



Company is typical of only one of the two types of American business paper publishers. They have a policy of developing their circulation by the paid circulation (ABC audit) method only.

ABC business publications represent only 13.69% of the business paper titles in the States (18.10% of total distribution), so that McGraw-Hill is not typical of the largest part of the industry. There has been growth of Canadian circulation of U.S. publications in controlled as well as paid circulation publications.

Let us consider for a moment the statement of McGraw-Hill. They listed the circulations and contended that the average circulation of their 29 publications circulating in Canada was 1,854 copies, "that a publication which had only 1,854 Canadian subscribers - or 2,854 - or 4,854, cannot realistically be classified as a publication in competition with a similar Canadian business paper." They suggested that it was unrealistic to regard them as competition because their circulation figures were so small. Mr. Cady does not appear to be taking into consideration the fact that all Canadian business publication circulations are comparatively small.

Here are their ten top publications in terms of Canadian circulation figures and opposite the circulation of a Canadian publication serving the same field:





<u>U.S. Publication</u>	<u>1960</u>	<u>Canadian Publication</u>	<u>1960</u>
Business Week	13,772	Executive	8,646
Power	4,551	Modern Power & Eng.	9,788
Construction Methods & Equipment	3,457	Engineering & Contract Record	11,182
Engineering News Record	3,159	Plant Administra- tion	7,621
Factory	3,000	Bus & Truck Trans- port	12,185
Fleet Owner	2,824	Cdn. Mining Journal	6,387
Engineering & Mining Jnl.	2,447	Cdn. Food Indus- tries	6,914
Food Engineering	2,083	Cdn. Chemical Processing	6,244
Chemical Engineering	1,934	Oil in	
Petroleum Week	1,617	Canada	5,405

It can readily be seen that the circulation of the U.S. publication is frequently as much as a third, in one case a half, and in another case is nearly double, the Canadian publication. It would not take much additional effort on the part of McGraw-Hill to build the circulation of some of these to the point where they would be able to run off a Canadian edition, or a split run, if, in fact, they are not in that position now.

Furthermore, when it is taken into consideration that advertisers in the United States will advertise in the McGraw-Hill publication and probably two or three other publications in the same field, each of which will have a comparable amount of Canadian circulation, it becomes more



apparent why Canadian publications are concerned about overflow circulation.

Split Runs

Mr. Cady gave the McGraw-Hill business papers circulation in Canada of his various publications as follows:

1 title	13,772 circulation
1 title	4,551 circulation
1 title	3,457 circulation
5 titles, under	3,200 circulation
12 titles, under	2,000 circulation
10 titles, under	1,000 circulation

He stated "that at present rate of growth McGraw-Hill might possibly reach a point some 40 or 50 years from now, when the number of Canadian subscribers to a given business paper might justify a special or split run edition carrying advertising aimed exclusively at the Canadian subscribers."

He added that in the 10 years 1950-1960, McGraw-Hill circulations in Canada had increased 95%. The average for all 1,497 U.S. business papers circulating in Canada showed an increase of 70% per title. Using these figures, the following projection shows what could be the circulation for these McGraw-Hill publications in 1970, if they continue their present rate of increase. These are substantial figures:



Projected Circulation of the Average  
assuming a 95% increase of their  
actual figures

1 title	26,758
1 title	8,874
1 title	6,500
5 titles	6,250
12 titles	3,700
10 titles	1,775

These statistics clearly demonstrate that in much less than 40 years, and in fact, probably much less than 10 years, if they continue this rate of growth, they could have more than enough circulation to justify a split run.

McGraw-Hill have recently announced a split run to the foreign market, not including Canada, for their publication "Petroleum Week". An advertiser in this publication can purchase one advertisement to reach 41,000 U.S. and Canadian readers and another advertisement specifically designed for Petroleum Week's circulation outside U.S. and Canada (source - International Advertiser, December 1960 issue - S.R.D.S., November 24, 1960). If McGraw-Hill can justify a split run for the 5,707 foreign copies of Petroleum Week it would seem that they are close to being in a position to peel off split runs for some of their Canadian circulation.

Mr. Donald C. McGraw, in the December 26, 1960 issue of Advertising Age, announced the



dissolution of their International Corp. and its merger with the publications division. He said this integration was designed "to utilize more fully all the resources of McGraw-Hill for the important opportunities that lie ahead in the international field." He reported that Construcción Mexicana, which began publication last September as a monthly supplement to Ingenieria Internacional Construcción, has made progress and may become a separate magazine for Mexico alone. He said the company also has under consideration plans for industrial magazines in Brazil and Argentina.

Also, in the January 6, 1961 issue of Printers' Ink, Mr. Nelson Bond, President of the Publications Division, McGraw-Hill, stated ... "I feel that in 1961 we will see increased efforts on the part of American companies to consider the world as our market-place." The complete statement is attached (Appendix "A").

#### Canada Editions

Secombe House implied that there was no problem in connection with Canada editions. They, of course, have solved their particular problem of U.S. competition by joining with an American publisher and producing what they call "Canada versions" of American publications.

Canadian publishers could profitably join American publishers but this would be a





marriage of convenience which they as Canadians would find distasteful. We do not feel that in this technique lies the answer to the development of a truly Canadian business press.

It is to avoid this that we are recommending action to make "Canada" editions less profitable, so that Canada's periodical press will be published and edited by Canadians, for Canadians.



APPENDIX "A"BUSINESS OFFERS GROWTH IMPETUS

Nelson Bond, president, publications  
division, McGraw-Hill

The outlook for advertising in our publications is somewhat mixed, with some fields reflecting the prevailing business pessimism, while other fields are showing encouraging business optimism. On the whole, the general business expectancy for advertising in our publications during 1961 is slightly higher than for 1960.

Actually, conditions are ripe for increased emphasis on the marketing tools of selling and advertising. While production capacity is at an all-time-high, demand in some fields is somewhat sluggish. This provides American companies with the opportunity for developing and increasing demand for their products and services. This condition also breeds a strong competitive situation.

American industries' plans for plant and equipment expenditures during 1961 will be almost equal to 1960's. Further, it has been estimated that there is a market for almost \$100-million of expenditures for much-needed modernization of equipment. Still another encouraging sign is the contemplated expenditures for research and development. These are expected to exceed \$10-billion in 1961, and this is what new products and processes are made of. In fact, in 1961 about



12 per cent of sales will be among products that did not exist before 1957.

### The World Marketplace

With the need for modernization, the competitive market conditions and the need for stimulating demand, the role of selling and advertising in opening up marketing channels has never been more important.

The direct and latent buying power of subscribers to today's business publications were never larger and never better. I feel that in 1961 we will have increased recognition of the power, usefulness and need for personal selling and advertising in the marketing of products and services. I feel that in 1961 we will see increased efforts on the part of American companies to consider the world as our marketplace.

In fact, a recent report from McGraw-Hill's economic department stated that business volume as measured by gross national product will undoubtedly score the largest volume in its history during 1961.

The readership of business publications should continue to show a healthy trend. This past year (1960) witnessed great growth in our paid circulation.

The increased number of college enrollments points toward a continued growth and utilization of business publications. Historically, the over-all circulation of our publications has grown





Appendix "A" - 2

with the growing cycle of college enrollments.

The bulk of business papers' potential readers, and industry's buying influences rest with the college graduates who will be coming into high positions in increasing numbers in the next few years. Thus, the fundamental role and need of reporting, transmitting and interpreting the news of developments, research and business information will be greater than ever. Add to this a continuing and increasing audience eager for the results of this effort, and you have a strong impetus for business-paper growth. It is anticipated that the role of business papers as a vehicle of communications at both the editorial and advertising level will continue to contribute strongly to the health and growth of our economy.

(Printers' Ink, January 6, 1961)

MR. CRAIG: There was one point I wished to comment on in connection with the McGraw-Hill presentation. Mr. Cady referred to the fact their Canadian circulation was very small, very insignificant. Now, Mr. Cady, the tax director of this huge American company said that they were typical of the American industry and that their circulation figures were very small.

We make the point in our brief that is here for you to study that this company have revenues



in excess of \$100,000,000. I think they have taken over a new company or are in the process of taking over a new company which will add another \$30 or \$40,000,000 to their income or more. It is not really typical of the industry in the States.

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It is typical of about 13.69%, of exactly 13.69% by titles and, although their circulations are small to these huge corporations, they, apparently, are overlooking the fact that in Canada all circulations in the business paper field are comparatively small.

They refer, for example, to Business Week with a circulation in Canada of 13,772. A comparable Canadian publication, Executive, has a circulation of 8,646. Their publication, Power, has a circulation in Canada of 4,551. The comparable Canadian publication has a circulation of 9,738. This is the problem which faces Canadian business paper publishers particularly when you compare two or three publications serving a similar field in the States. Those circulations which Mr. Cady has referred to as being small, they become compounded and are frequently very large in relationship to the comparable Canadian publication.

I would also like to refer on page 6 of our brief, of our submission this morning, to the statement of one of the Canadian publishers, Seecombe House, and they said that there was no problem of Canadian editions; at least, that this competition could be contained, I think, were the exact words they used and that the way to do this was to join them. They stated that in their particular case they had joined with an American publisher and were producing what they call Canadian



versions of American publications.

We publishers in Canada, most of us at least, have realised that this is an alternative that we could examine; but, this is a marriage of convenience which genuine Canadian publishers would find extremely distasteful. We do not feel that in this technique lies the answer to the development of a truly Canadian business press.

I would like to make one comment, if I may, which was not in our brief and which came to our attention after this had been prepared. The Commission has received a letter from the Seccombe House people, who are the publishers, in partnership with an American publisher, of the publications Modern Medicine of Canada and Medicine Moderne du Canada. This publication is an abstract journal circulated to all active doctors in Canada and in their letter, they state that it could be -- I have not got the exact wording here, but they said that the abstract service which they make available could not be maintained by a Canadian publisher because they abstract information from all over the world and they present it as an exclusive service to Canadian doctors.

The National Business Papers' brief, which was put into the record, shows a breakdown of this world-wide abstraction service -- so-called abstraction service, which shows that 87% -- I believe they put the figure in of the articles abstracted --





87.7% of the articles abstracted were of U.S. origin; 3.9% of Canadian origin; 6.8% of British and Commonwealth origin and other foreign, 1.6%.

I talked also to Doctor Kelly of the Canadian Medical Association, who publish a weekly paper for the doctors of Canada, and they have an abstract service which they regard as a very valuable abstract service and as a truly world-wide service. They make this available through their weekly publication and, if you would like to get any further information about their plan and how inaccurate this statement by Mr. Seecombe is, I am sure that he would be happy to answer your questions, sir.

THE CHAIRMAN: Mr. Johnston, would you care to ask Mr. Craig any questions?

COMMISSIONER JOHNSTON: No, sir.

THE CHAIRMAN: If we do not ask you questions, that does not mean we do not attach significance to your submission. We have to spend the next two months in an agonizing -- I won't say reappraisal, but a re-examination of all the briefs, and yours will be examined also.

MR. CRAIG: Thank you very much, Mr. Chairman and Members of the Commission. We appreciate very much the opportunity of making this presentation.



RECOMMENDATIONS BY THE GRAPHIC ARTS  
INDUSTRIES ASSOCIATION.

Appearance: Mr. David Maclellan

MR. QUINN: Would you identify yourself for the record, sir.

MR. MACLELLAN: My name is David Maclellan. I am general manager of Graphic Arts Industries Association.

Mr. Chairman, and Members of the Commission, I wish to help you by being as quick as I can this morning.

The attention of this Commission has been focused very largely on all the periodicals and, specifically, the magazines.

This morning, before quickly reading our recommendations, I have a few remarks I would like to interpolate. I would like to say that our members are most concerned about the situation confronting the printing and publishing industries in Canada.

The problems you have been most concerned with here are part of a much, much larger picture which, I may say, worries the printing industry from coast to coast. I have evidence of this in daily correspondence, letters from printers in almost every province.

Now, because there may be no similar investigation again, before both the periodical and the associated industries suffer very harmful



reverses, we are again asking the Commission to urge Government action in regard to printed imports, other than periodicals.

The printing and publishing businesses are so interdependent, whether we have the weekly newspapers with job shops or book printers, or the large plants which produce the Montreal Gazette, the Digest, Maclean's, Liberty, The Montrealer, the Niagara Falls Evening Review and many others, which depend in large measure upon commercial printing, printing and publishing do stand or fall together and both are being undermined by similar competition from outside our borders.

Now, sir, if I may be seated...

THE CHAIRMAN: Yes.

MR. MACLELLAN: On October 24, 1960, the Secretary of the Commission wrote to us as follows: "I have also been instructed by the Commissioners to invite you to submit any information and views you may have upon the economic and cultural position of and prospects for the periodical and associated industries in Canada."

Within the limitations of time and staff available, we gave you as much information as possible concerning the associated graphic arts industries, in relation to the periodical field and in relation to printed imports generally, as well as to restrictions imposed upon our industry by the United States.





As businessmen in one of the world's leading trading nations our instincts are to trade. Rigid protectionism is not an appealing concept; but the behavior and policies of other nations towards us must be taken into account. We cannot turn the other cheek - if the price involves stifled growth, widespread unemployment, or abandonment of our national estate to foreign exploitation. Our national interest requires the same protective attitude towards our struggling industries, and willing workers, as good parents should have towards their offspring.

We have been put on the defensive by the aggressiveness in our domestic market of American entrepreneurs, and we are very conscious of the enterprising Europeans and Japanese who are tempted by easy access to this market.

The economic and cultural inroads already made by the United States in Canada have been achieved, in very large measure, by intensive use of the versatile printed medium.

I might remark, my next comment here was prompted by some questions of Mr. O'Leary in Montreal about Ireland and Belgium.

Dr. Lorne Pierce, one of our great editors, anticipated the problem before you when he wrote many years ago an essay on "The Underlying Principles of Confederation", in which he said:

"The trouble seems to have been that



we have had no national calamity in Canada. We have had no crises that shook the nation, demoralized it with tragedy, and made all else trivial.

A people that has passed through such a crucible has a history, a birthright literature, drama and art, songs, flags and heroic traditions - all are born in pain."

National calamities forged the most intense Irish nationalism, and locked the Flemings and Walloons in a partnership that has endured for 130 years. If we have been spared their sufferings, we have also been spared the intensity of their nationalism - as we have that of our American friends. We are embarrassed to speak out as eloquently and proudly of Canada as they do about their own lands; but this is no reason why we should not cling to our own Confederation and voice our own aspirations.

In addition, the absence of a language barrier between most of our people and the United States--especially in this age of mass communication by diverse means--multiplies our difficulties in realizing dreams of national self-fulfilment.

On the other hand, as Prof. John Bartlet Brebner observed in his classic work, "North Atlantic Triangle", (1911, University Press, 1911):



"...Canada and the United States conducted an almost continuous tariff war from 1865 to 1935 and yet trade between them grew until it was the largest exchange between two nations in the world."

The very idea of a new tariff war is repugnant. But we should not be afraid of, or shrink from, sensible protective measures - especially if these are calculated to preserve our national institutions and to provide employment for a growing population. Such purposes, surely, are imperatives.

This Association, therefore, places two sets of recommendations before you. The second set of recommendations may seem, superficially, beyond your original terms of reference, although within the scope of your invitation of October 24th. With regard to the second set of recommendations, we wish to make these remarks:

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--- Page 75 follows.

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1509 Sherbrooke St. West, MONTREAL 25, Canada - TELEPHONE: Wellington 7-7717

Significant Facts with Regard to Trends in the Industry

While production in the Canadian printing, publishing and allied trades has grown steadily in recent years due to (1) population growth, (2) increased uses of printing, and (3) new equipment and increased efficiency, imported printing has been a prime factor in restricting increased sales and slowing the absorption of manpower from a much bigger labor force.

After a number of years of small gains in employment, the total number of persons employed actually dropped in 1958. There was some recovery later, so that the employment index in June, 1960, was 125.3 - the highest on record (the year 1949 representing 100). But this was 7.2 points behind the growth of the population index, which had reached 132.5 in June, 1960.

The seriousness of continuing trends may be emphasized by the reminder that two more years of rising imports and shrinking employment - in the face of population growth and an expanding labor force - could have grave repercussions both for the industry and the Canadian economy.

Population Index	Employment Index.. in this Industry.	Size of Labor. Force	Dollar Volume of Printed Imports from U. S. (as cleared by Customs only)
100.0	100.0		
102.0	104.3		
104.2	105.4		
107.5	104.3		
110.4	107.1	59,916	
113.7	110.0	61,602	\$ 63,079,232
116.7	111.8	63,188	61,143,432
119.6	115.3	64,025	66,844,925
123.4	119.6	66,375	69,617,964
126.8	119.1	68,248	74,889,844
129.7	121.3	66,359	77,750,438
132.5	125.3		87,371,013

(Statistics obtained from Dominion Bureau of Statistics)





# C A N A D A

- 76 -

## P R I N T E D   I M P O R T S

### FROM ALL COUNTRIES

### FROM U.S.

1953	\$67,600,321	
1954	67,852,590	\$63,079,232
1955	72,274,537	61,143,432
1956	76,048,646	66,844,925
1957	81,674,212	69,617,964
1958	86,638,572	74,889,844
1959	96,345,496 (up \$28,745,175 from 1953)	77,750,438
		87,371,013 (up \$24,291,781 from 1953)

## P R I N T E D   E X P O R T S

### TO ALL COUNTRIES

### TO U.S.

1953	3,192,464	
1954	3,494,752	2,741,230
1955	3,625,046	3,040,260
1956	4,893,334	3,103,154
1957	4,983,393	3,729,685
1958	4,270,765	3,957,935
1959	5,014,042 (up \$1,821,578 from 1953)	3,299,726
		3,913,690 (up \$1,172,460 from 1953)

Source: Dominion Bureau of Statistics. These figures refer only to imports and exports statistically recorded for customs purposes, and take no account of (1) publications and other printed matter travelling by postal channels, (2) "overlooked" printed matter, accompanying manufactured goods, or (3) undervaluation of goods by importers and/or by customs.

- Note:
- (1) The dollar volume of Canadian imports from the U.S. jumped by 38.5% in the period 1953-1959, or by \$24,291,781. This was 20.7 times the increase in U.S. imports from Canada.
  - (2) By simple subtraction, it will be observed that Canadian imports from countries other than the U.S. were \$4,521,089 in 1953, and \$8,974,483 in 1959 - an increase of 98.5% in this short period.
  - (3) Canadian exports to countries other than the U.S. grew by \$649,118 from \$451,234 in 1953 to \$1,100,352 in 1959. This was an increase of 143%, but our imports from those other countries increased \$4,453,394 or 6.8 times in the same period.

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(i) Each recommended measure to strengthen the domestic printing industry would offer greater hope that would-be publishers of books, "little magazines", specialized and general interest periodicals might find more printing plants equipped to do their printing -- and to do so more efficiently and economically;

(ii) Each such measure would increase the possibilities of printers themselves venturing into the publishing field, as so many printers have done in the past (many printers entertain publishing aspirations, which some indulge when they are sufficiently prosperous or when the chances are tempting);

(iii) While we await the flowering of more Canadian periodicals, the printing industry -- if prospering for other reasons -- can employ many of the illustrators, typographic designers, and craftsmen who will be sorely needed in the production of any new periodicals seeking to compete in respect of visual appeal and printing quality;

(iv) The maintenance and prosperity of well-equipped printing plants in all provinces will always mean that more alternatives will be open to the would-be publisher, and that he will have more chance



of competing in cost terms;

(v) Continued attrition of the associated industries due to printed imports other than publications would progressively weaken their ability to serve Canadian publishers; and

(vi) Volume being the key to lower unit costs, it is essential that the Government of Canada and all Canadians should address themselves to building volume production in this as well as other secondary industries. Otherwise, in this age of mechanization and automation, employment will continue to lag behind population growth.

At this point, Mr. Chairman, I would like to submit some statistics which I have here pointing out how employment has lagged behind population growth, especially in the last few years. There was an actual drop inside of our labour force in the year 1958 as compared with 1957 which is the last year for which we have statistics available.

It shows also a rapid increase in imports, nearly 40 per cent from the United States and nearly 100 per cent from other countries between 1953 and 1959.

I would also like to draw your attention, sir, to the latest report on the printing trades issued by the Dominion Bureau of Statistics which showed in 1958 the printing trades for the first time





in many years employed fewer people, actually 1,889 fewer people than the previous year and in 84 fewer plants.

Mr. Johnston was speaking about the weekly newspapers. The casualties have been most heavy among the smaller plants and I suspect some of them were weeklies.

Believing the above considerations to be fundamental in appraising the economics of the present situation, we proceed to our first set of recommendations:

(1) When the Canadian circulation of a foreign periodical exceeds 15,000 copies, inducements to print in Canada should become operative. One approach might be to insist, as a quid pro quo for the additional circulation and advertising revenues acquired thereby, and for the loss of taxes, duty and postage to Canada, that quantities in excess of 15,000 be printed in Canada on Canadian-made paper with Canadian ink by Canadian craftsmen. If there is no quid pro quo, Canada's economic loss will continue to be nearer 200 per cent or over that, than 100 per cent, because it is axiomatic that present loss entails future loss -- in terms of growth. It is Canada's money that



that flows to the United States; it is not Canada's money that flows back.

(ii) Canada could apply Tariff Item 178, re "Advertising and Printed Matter", to the advertising content of foreign periodicals, just as it now applies this tariff item to other advertising matter in printed form often imported on behalf of the same large companies which dominate the pages of U.S. magazines. The foreign publication carrying such advertising enters Canada just as freely as the publication which carries no advertising whatever -- so that we have at least two obvious inequities, i.e. between the purely editorial import and the import combining editorial and advertising content, and between advertising pages of imported publications and advertising pieces (Often reprints of those pages) subject to duty under Tariff Item 178. If the foreign publication prints in Canada, there could be no application of duty.

(iii) Like many other countries, Canada could insist upon a high degree of Canadian content and Canadian ownership, or of either, in periodicals claiming to be Canadian. Content could be defined to include



design, art work, typesetting, engraving, paper, ink, and printing, as well as writing, editing, and photography. There are both cultural and economic aspects entering into these other phases of publishing.

As will be explained in regard to imported "souvenirs" of Canada, we believe stringent restrictions should apply to foreign periodicals which purport to be Canadian, wholly or in part. Individuals cannot obtain Canadian citizenship at their own pleasure. Why should foreign publications?

(iv) Tax concessions or exemptions might be offered when (a) Canadian paper and ink are used, and (b) when Canadian printers are employed.

(v) Controlled circulation publications, not appearing on newsstands, enter Canada unsolicited for one reason only: To sell advertisers on the fact or the notion that they cover a specific market in Canada. Their sole interest is advertising. Such publications should be classified as dutiable under Tariff Item 178, and the publisher or exporter to Canada should pay the duty.

(vi) Failing other solutions, magazines and magazine sections purporting to be Canadian, but produced abroad, should be



classified as a new Tariff Item. These were not envisaged in the existing tariff classifications. Therefore, as a new phenomenon, these should not be treated as if they were in the same category as foreign periodicals imported in the same format and content as supplied to their own countries. The duty applicable should be high enough to yield substantial revenue to the Government of Canada, in lieu of corporation income taxes and postal revenues, or, in the alternative, to induce printing in Canada.

(vii) The extension of second-class mailing privileges to foreign periodicals purporting to be Canadian and to foreign periodicals entering unsolicited on a controlled circulation basis should be revoked. They should be classified separately and apart from legitimate foreign periodicals, as produced for sale in their own countries, and subscribed to by Canadians.

(viii) To encourage new Canadian publishing ventures under Canadian ownership and editorship, free mailing privileges might be accorded for a period of five years from the start of publication, in respect to paid subscriptions, provided that the





proprietors are making their first entry into the periodical field, and provided that they make exclusive use of Canadian materials and Canadian printing facilities. Existing concessions to domestic and foreign publishers would seem to justify specific encouragement of new Canadian ventures.

(ix) Bulk mailings, whether imported by foreign publishers or advertisers for posting in Canada, should be subjected to duty under Tariff Item 178. These are now exempted from duty under the fourth qualifying paragraph of Item 178, which exempts items imported as individual packages valued at not more than \$1. Consequently, a foreign publisher or advertiser can ship a million promotional pieces into Canada duty-free, if he wishes, provided the purpose is to post here. This he is encouraged to do by lower postal rates, i.e. two cents in Canada as compared with four cents in the United States. The effects are adverse to Canadian interests, because the competition by means of bulk mailings with Canadian printers and publishers has been extraordinarily intensified, Canadian Customs is deprived of substantial revenues, and the slight revenue accruing to the Post Office is scarcely profitable.



If these bulk mailings were subjected to duty as they should be, the Post Office would continue to receive the same revenue, while the Customs would derive new revenue. If the publishers or others responsible withdrew these importations, while the Post Office revenue would disappear, the competition for Canadian printers and publishers would be materially reduced. Or, if those responsible decided to print these mailings in Canada, Canada would gain production and employment.

Finally, on this score, it should be observed that foreign publishers and advertisers in some cases find it desirable to mail in Canada in order to gain the Canadian flavour that goes with Canadian postage and postmarks.

If application of duty persuaded them to take their mailings back to the U.S., where the rate of postage is higher, they might reduce the frequency or extent of their mailings to Canada, thus lessening the competition now hurting Canadian printers and publishers.

(x) Statistical measurement of publications and other printed matter entering Canada via second and third-class mail should be undertaken, if possible, by the Post Office, in order that the dimensions



of this heavy traffic will be known, and may be compared from year to year. Recognizing the difficulties, we do not press this point, but the problem is serious enough to warrant study of the possibilities.

(xi) One aspect of the publication field which we have not previously gone into is the extent to which Canadian newspapers rely upon foreign reports and interpretations of world affairs and events. Here again economics have encouraged the use of syndicated columns supplied from the U.S. and of news from American news-gathering agencies. We recommend that serious study be undertaken with a view to the merit of a Government grant to the non-profit Canadian press news agency, in the order of \$20,000 or \$25,000 per annum for each additional Canadian reporter employed as a full-time Canadian Press correspondent abroad, up to the number of fifty additional correspondents. The amount of the grant would be related to salary, travel, telephone, and telegraph expenses now paid on account of representative CP correspondents abroad. If implemented, this recommendation would multiply the Canadian sources of information abroad, and would decrease our dependence upon foreign sources. Since the Canadian Press





supplies news to our daily newspapers, radio, and television, we believe this measure ought to be given careful consideration.

Our second set of recommendations follows. While we shall certainly pursue all of these proposals with appropriate departments of Government, we seek your interest and support, because the economic health of our industry relates so closely to the health of the publishing industry, and vice versa.

(i) Existing legislation and customs procedures should be more strictly enforced with regard to printed imports, and strengthened where necessary. Here, specifically, we cite:

(a) The Marking of Imported Goods Order. We recommend that Canadian Customs reject all printed imports violating or obviously going contrary to the letter of the law. This stipulates that the imprint identifying country of origin must be positioned in a conspicuous place and in legible words.

I think I might skip the balance of that page, Mr. Chairman, because it was covered previously in another submission. We also might skip the next point Printed Imports by Qualified Appraisers because this has been put before you as well.

Moreover, the imprint must not be covered or obscured by subsequent attachments or arrangements. In practice, however,



Canadian Customs has been accepting the foreign imprint when positioned in the most inconspicuous places, and in the smallest, most nearly illegible type size. As the Employing Printers' Association of Montreal has said, "Such tricks as concealing imprints in a fold or under a flap, running them vertically in relation to horizontal text matter, printing them in the smallest type with pale inks, and placing them on an edge easily trimmed off after importation, are all too common." The prime purpose of the Marking of Imported Goods Order is being frustrated continually by American exporters and Canadian importers of printed matter. We believe, over the years, that official laxity has encouraged the employment of such devices as we have cited; and we urge rigid enforcement of the law for the protection of the public and the industry.

(b) We recommend realistic valuation of printed imports by qualified appraisers, in keeping with paragraphs 26 and 30 (i) of the submission of the Employing Printers' Association of Montreal. Not only are percentage advances now laid down in order to arrive at "fair market value" much too low in relation to true costs and real values, but two immediate results are loss of Government revenue



and a statistical record of imports which is gravely misleading. The true value of printed imports processed by Canadian Customs is, unquestionably, far greater than the official statistics suggest. The Government should be concerned to know the correct picture from year to year, and to collect all of the duties which should be paid.

(ii) Because of the misrepresentations so patently involved, and because of the substantial loss of employment, we recommend either prohibition of or prohibitive tariffs on all imports (printed or otherwise) -- including postcards, school and college yearbooks, match-books, or any others -- which purport to be souvenirs or mementoes of Canada, Canadian places, and Canadian institutions. Because of the economic disadvantages inherent in our smaller population, such goods may be obtained more cheaply abroad; but toleration of the practice merely aggravates our economic troubles, and it betrays a poor kind of Canadianism. Our souvenir postcards are now mainly of American origin, likewise most of our more lavish school and college yearbooks -- sponsored by institutions and student organizations which look to Canadian industry



for financial support and for job opportunities. These costly yearbooks normally carry advertising by Canadians directed to Canadians, but escape duty and sales tax, so that the foreign competition enjoys a free run in our market.

(iii) Sales literature and point-of-sale material imported by Canadian companies, and branches or subsidiaries of foreign companies, should be valued by Canadian Customs in terms of Canadian unit costs and Canadian market value. Moreover, we recommend that the percentage advance of 30 per cent on one-colour work and 35 per cent on two-colour (or more) be increased to not less than 100 per cent and 125 per cent respectively. As already explained by the Employing Printers' Association of Montreal, unit costs will normally vary as much as 100 per cent or more in the short press runs we have, as compared with the long press runs of our foreign competitors. Moreover, in the case of multi-colour printing, the cost of colour separations is high. Consequently, the suggested percentage advances are extremely moderate.

(iv) If the United States will afford no easement or accommodation with regard to





its copyright regulation which prevents the importation of more than 1,500 books from Canada, under pain of losing U.S. copyright protection, we recommend that the Government of Canada take early action to gain relief by revising the Canadian Copyright Act and by ratifying the Universal Copyright Convention.

Mr. Chairman, I do not know whether you saw this in the Montreal Star the night before last or not. New World Encyclopaedia, 20 volumes also available in French. The first volume sells for 49 cents and the other 19 at 99 cents each.

These prices obviously cannot cover the cost of paper and binding, let alone production. Also you have the American point.

The people are encouraged to buy these each week in order to tie in with their weekly shopping but the country is flooded with this sort of thing giving the American point about everything under the sun.

These steps should be taken in any event, revision of our copyright legislation being long overdue; and we certainly believe the United States should be urged to exempt Canada from the manufacturing stipulations in its own Copyright Act. We concur in the sentiments expressed to you in this



regard by Mr. Marsh Jeanneret, Director of the University of Toronto Press.

(v) Popular encyclopedias and "general knowledge" sets of books (two of which were pictured in the album of photos submitted by us on November 14, 1960) retailing in Canada far below the cost of production, and similar works commonly found in supermarkets and book stores specializing in imported "remainders", should be treated differently under the Canadian Tariff. Now these may enter either duty free or subject to 10 per cent duty.

We can see no great objection to the free entry of scholarly, technical, and educational books -- bought and sold at reasonable prices. However, when case-bound books or even flat sheets for binding in Canada are imported at prices with which domestic industry cannot conceivably compete, the loss of production, employment, and public revenue is serious. And this loss is growing steadily, due to the mass merchandising of supermarket chains and of book retailers specializing in "remainders" from the U.S. It is not even possible to compare unit costs, because, if asked to quote on the printing of such books -- or



even of a periodical such as "Everywoman's Family Circle" -- a Canadian printer would be asked, in effect, to quote against dumped material.

It might be appropriate for a new Tariff Item to be created in order to provide for books and periodicals imported in quantities in excess of 500 at declared values of a nominal character. Any such books or periodicals should be subjected to realistic valuations in terms of Canadian costs, and to a dumping duty, in order to yield reasonable public revenue and to encourage printing and employment in Canada.

(vi) With regard to what we call, for lack of better definition, "overlooked" printed imports, i.e. printed packages, labels, instruction booklets, warranty cards, re-order forms, and advertising of other products from the same source, we recommend valuation by Customs of such printed matter specifically and apart from the product it accompanies. There is a heavy volume of printing for domestic Canadian requirements being imported in this manner by branches and subsidiaries of foreign manufacturers, much of it costly by Canadian standards, but less so





at the foreign source. When particular products are being imported by the thousands, tens and scores of thousands, for warehousing, distribution, and mass merchandising in Canada, there should be effective inducements for the manufacturer to have his printing and packaging done in Canada. Obviously it might be necessary to exempt identifying labels, and packages of extremely brittle or fragile items which could not safely be shipped in bulk.

Here we are concerned with a vast range of consumer products sold from coast to coast in Canada through department stores, drug stores, appliance stores, hardware stores, etc., most of which, when imported, are accompanied by printed matter not valued as such or subject to duty as such. If any part of their value is included in that of the product accompanied, we believe this would be negligible in most instances. In many cases - such as electric razors, already cited to you -- the main product in question enters duty-free; thus the accompanying printing enters duty-free.

(vii) To expedite the implementation of many of our recommendations, we further recommend the employment by the Canadian



Customs of appraisers well versed in the costs of printing materials and printing production. Such qualified appraisers should be posted at the principal ports of entry. We have no doubt they would repay the Government and the country, justifiably, and in terms of millions of dollars.

(viii) Finally, with regard to the Government Printing Bureau, we remind you of the attachment as an appendix to our initial submission of a letter to Prime Minister Diefenbaker, dated September 29, 1960. We recommend again that the forced growth of competition by the Bureau with the domestic printing and publishing industry be halted, and reversed. Although originally created to print for Parliament, the Bureau now is occupied -- in its internal manufacturing -- more than 90 per cent on other work, most of this competitive with taxpaying industry. Internal manufacturing was increased in 1959-1960 by \$688,870 to a total of \$9,811,584, while external purchases of printing were increased by only \$178,025 to \$5,709,931. To judge from the dollar figures only, the likelihood is that there was no increase in the physical volume purchased from industry. The Bureau's printing for Parliament totalled



\$892,752 in 1959-1960.

On the other hand, with more than 30 costs normal in any substantial commercial plant not charged to the Printing Bureau (But still paid eventually by the taxpayer), the Bureau's own output of \$9,811,584 represents more than \$14,000,000 worth of work by commercial standards. This is reckoned on the basis of the Assistant Queen's Printer's claim that the Bureau's charges average 70 per cent of commercial prices.

One of the biggest annual book publishing jobs in Canada is the "Canada Handbook". The 1960 edition runs to 320 pages and 160,000 copies in French and English with profuse illustrations, a number in colour. Yet, year after year, although there are no elements of secrecy or urgency to warrant it, the "Canada Handbook" is manufactured by the Bureau. Many commercial plants, meanwhile, are struggling to meet foreign competition while their own Government competes with them. This holds true of hundreds of other printing jobs, including many publications.

Since the construction of the huge new building in Hull, there has been a conspicuously rapid increase in the volume of work



channeled into it. During the same period, orders placed with industry have been held within very definite limits. In some years, the latter have actually decreased in dollar terms.

The logical conclusion is that there has been a determined effort to justify the enlargement of the Printing Bureau, and to keep fully employed a working force that has more than doubled in a decade - regardless of economic conditions in the taxpaying printing and publishing industries.

We have already given the Prime Minister our views as to how this situation should be remedied, and we urge this Commission to recommend a very sharp curtailment of internal manufacturing by the Government in its Printing Bureau.

All the foregoing proposals, along with others you will be receiving from other participants in your proceedings, will supply a variety of alternatives. We re-new the hope expressed at the outset of your inquiry - namely, that your recommendations will become part of a positive public policy directed to the encouragement of printing and publishing in Canada, for the greater good of our national culture and economy.





Thank you.

THE CHAIRMAN: Well, thank you, Mr. Maclellan.

I am simply saying to you what I said to Mr. Craig that I want to thank you very much for the deep and close interest you have taken in this Commission since its inception.

Thank you very much, sir.

MR. QUINN: Mr. Laybourne, please?

COMMISSIONER JOHNSTON: Just before Mr.

Laybourne comes on, I have been informed that there has been a bit of a disturbance over a small interchange between Mr. O'Brien and myself on this matter of receiving material in confidence. I thought I had corrected it, but I am going to make it clear we do not expect to be able to get material from across the border, in the clear, if that is a good expression, and that we would have to have regard to the fact we have no authority to demand anything from anybody in another country. Is that satisfactory now?

MR. O'BRIEN: I understood it very clearly, sir. I didn't think further explanation was necessary.

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RE-APPEARANCE BY TIME INTERNATIONAL  
OF CANADA LIMITED

APPEARANCE:

Mr. L. Laybourne

MR. LAYBOURNE: For the record, I am Lawrence Laybourne, Managing Director of Time International of Canada Limited.

Mr. Chairman, the other day, I think it was Wednesday, Mr. O'Leary expressed some surprise at the prospect that Time would once more be coming in front of him and his fellow Commissioners.

THE CHAIRMAN: You take all the time you wish. We are giving you the last word in court.

MR. LAYBOURNE: We have had a very full opportunity to tell our story, we feel. We thank the Commissioners for giving us on two separate days the opportunity of talking at length.

At this point we could dig into other briefs and submissions and subject to analyses what others have said and I think probably find here and there something which we might want to debate or to say we do not entirely agree; or we could, perhaps more flatteringly to ourselves, pick up assertions from friendly things that other people have said and repeat them to make sure you heard them; but the record is all here.



If we did not analyze all that has been said, it will mean, I suppose that some questions are left unanswered from our point of view.

! It would be the council of perfection I think to feel we could bring this record to a close and have every single question disposed of.

We could deal also with the various recommendations which have been made.

I think I can say that in a general way most of the recommendations are rather negative in the sense of making something stop rather than constructive or affirmative; making something happen.





I would like to point out that the cumulative effect of even a fair number of the assorted recommendations which have been put forward would have the effect, could well have the effect of taking Time out of Canada. If that happens, if it should turn out that way, I would like to take this opportunity of saying there would be certain results. Certainly, Time would have to circulate in Canada in its form as it circulates in the United States. It would, in other words, become an overflow magazine.

There would be a loss within Canada, I think, of a certain amount of physical activity, of business activity. Prospectively we hope that we could pursue the contract which is now about ready for the signatures of ~~the~~ printer and our company, which will mean a substantial, and I am happy to say a very substantial activity which I am glad it is in prospect that our magazine will do in Canada.

It will mean the loss, obviously, of the several news pages on Canadian affairs, as it is called in our magazine, good or bad. I think it is fair to say also goes the prospect of further increases in that volume. We have mentioned two pages went to three and three pages went to four. That certainly would end with that.

It would mean, I think, the loss of stimulating, rewarding activity on the part of



reporters, photographers and others not on our staff, who have worked on this flow of editorial material to Time. I think there would be a reduction in the volume - there would be a reduction in the amount of material developed for the Canadian pages and thereby at hand and ready asserting itself for a place in the magazine as it circulates elsewhere in that process which Mr. Alexander described for you, I think, quite carefully.

Further there would be a loss, we feel, in the chance of advertisers of companies which perform services or sell goods in Canada, the loss of an opportunity for them to use these particular pages to advance the sales of their goods and services. Enough has been done to date to indicate they value this as a purely commercial extension of their sales effort in Canada. That would be gone, obviously.

Well now, to all intents and purposes we have had more than our "day in court". If I as a non-lawyer, could use a lawyer's phrase I would say that "the defence rests".

COMMISSIONER JOHNSTON: Well, Mr. Laybourne, I think your statement is frank and highly interesting. I certainly feel that you have been co-operative through this, and we appreciate it. I want to say and say again and again and again that as far as I am concerned and I am sure my fellow Commissioners have the same feeling, there will not



be any recommendations savouring of censorship of any description.

I put on the record yesterday the fact that a dear old friend of mine thinks of your paper as a Bible. It is his Bible, and he was brought up in the Presbyterian Church. I don't agree with him it is a Bible, but I am not going to quarrel with him or anybody else who wants to read Time.

I think that is all I have to say.

THE CHAIRMAN: There are no further questions. I have said all I am going to say about it. We have your financial statements and I see no point of going into them again.

COMMISSIONER JOHNSTON: I have one other thing to say, also on my conscience. There is too much laughter around here when I say that. When we were dealing with the advertising agencies I used a phrase that was too strong. I said something about the perfidious system of profits by percentage. I have looked to try and find some modifying definition of that word and I cannot find any. I may have meant to use the word pernicious, but that even is too strong. I still think the system of profits by percentage is deplorable.

I think this closes the public hearings. I would like to testify, moved by myself and seconded, I am sure, by Mr. Beaubien that association with Mr. O'Leary has been wonderful.



MR. LAYBOURNE: An association that has been shared happily by all of the participants that have come here.

THE CHAIRMAN: Gentlemen, that is all.

All I have to say is we wish to thank you all for your submissions. We want to thank the Press for the most excellent coverage. We want to thank everybody connected with the Commission who has helped us. I would just add this, although we have had our lovers' quarrels within this room, no scars have been left, and the memories of these quarrels will in no way influence the decision we come to. We simply ask you to forgive us our trespasses as we forgive you your trespasses against us.

Goodbye.

--- Whereupon the public hearings of The Royal Commission on Publications were **concluded**.





EXHIBIT NO. O-160: Letter from Montreal Standard  
Publishing Company Limited  
dated January 16, 1961.

Mr. P. Michael Pitfield,  
Secretary,  
Royal Commission on Publications,  
P.O. Box 1101, Postal Station 'A',  
Ottawa.

Dear Mr. Pitfield:

We regret that we failed to mention one  
point in our recommendations to the Royal Commission.  
This is the matter of copyright:

"U.S. law of copyright contains  
manufacturing provisions which  
require that periodicals published  
in the English language must be  
printed in the U.S. if they are  
to enjoy copyright protection; an  
exception is provided in respect  
of periodicals imported into the  
U.S. for resale in quantities less  
than 1500 (Section 16 Title 17 U.S.  
Code). No such manufacturing pro-  
visions exist in the Canadian law  
and periodicals entering Canada  
from the U.S. enjoy the same copy-  
right protection as if they had been  
printed in Canada.

It is submitted that this situation  
is inequitable and that Canadian  
authorities should endeavour to urge



Exhibit O-150 - 2

the U.S. authorities to amend the law so that copyright in the U.S. and in Canada with regard to periodicals should be reciprocal in every way."

If you wish we will be happy to put this on the formal record but we hope that this letter to you will be sufficient to cover this point.

Yours sincerely,

Signed. Mark Farrell.



SUBMISSION OF  
REALM NEWS SERVICE LIMITED

Preface: In its brief to the Royal Commission on Publications at Vancouver, Realm News Service Limited urged the imposition of dumping duties on the so-called Canadian editions of U.S. magazines. We contended that the competition waged by these publications in the Canadian advertising market was unfair and inequitable and that it constituted the most serious threat to Canada's periodical press.

Our brief acknowledged that the Commission, in its thorough study of this problem, might discover legal or technical factors which would make impractical the imposition of dumping duties.

The following recommendation is submitted as an alternative method of equalizing competition between Canadian periodicals and the satellite editions of foreign magazines in the Canadian advertising market.

Recommendation: Realm News Service Limited proposes that the Canadian magazine industry be strengthened against present unfair foreign competition by a revision of the Income Tax Act.

Subject to any rephrasing deemed necessary, the following regulation would be added to Section 12 of the present Act:





"In computing income, no deduction shall be made of an otherwise deductible outlay or expense incurred by the taxpayer for domestic advertising in a foreign periodical.

"Definitions. In this subsection,

"(a) Domestic Advertising means advertising the main purpose of which is the selling of property or services to persons resident in Canada.

"(b) Foreign Periodical means a periodical of which 25 per cent or more of the editorial content has been published in a country other than Canada either prior to or simultaneously with its publication in Canada."

Comment: The purpose of this amendment is to inhibit Canadian firms from making expenditures for advertising in those foreign periodicals which circulate special editions in Canada purporting to be Canadian magazines.

The inhibiting element will be the fact that the cost of such advertising will no longer be deductible as a business expense. For the average taxpayer-advertiser, the net cost of an advertisement in one of these publications will be approximately 100 per cent more than equivalent advertising in bonafide Canadian media.



It should be noted that the proposed amendment raises no barrier against those Canadian advertisers (e.g. exporters, distillers, travel agents) who wish to advertise in foreign periodicals in order to address foreign markets. Nor would it impede Canadian advertising in special editions of foreign publications (e.g. the New York Times Economic Review or the London Times' Canada Supplement). Only domestic advertising, defined in the amendment as being advertising primarily published to sell goods or services to Canadians, would be affected.

No restriction of any kind is placed upon the Canadian circulation of foreign magazines or on the free flow of information into Canada.

The tax change has no effect on the newsstand or subscription rates of magazines.

Nor will the proposed amendment impose any direct restrictions on foreign magazines wishing to solicit advertising for "Canadian Editions". It is true that it will increase the net cost of such advertising to the buyer and in this way it will equate the unfair price advantage which these by-product editions now hold. Without the benefit of this inequitable price factor, these foreign publications will undoubtedly be less attractive to Canadian advertising buyers. But these foreign publishers still will be entirely free to continue



their Canadian Edition operations and to succeed as well as they can in the fairer competition which will then prevail in the Canadian market.

The proposed amendment encourages Canadian advertisers to make their expenditures in Canadian enterprises rather than divert them to foreign firms. It recognizes the principle that advertising in Canadian media is in the national interest because it employs Canadian labour and creative talent and stimulates Canadian economic and cultural development.

Arguments: Realm News Service will endeavour below to anticipate and reply to some of the arguments most likely to be advanced against its recommendation:

Legal Precedent. The principle involved here already is in effect in the Income Tax Act with respect to deductions for scientific research. (Expenditures outside Canada are non-deductible). There is also a special clause in the Act imposing a tax on foreign films which would otherwise be tax-free. While this is not an exact parallel of our proposal, it is another instance where the Income Tax Act functions to nurture Canadian creativity.

The customs tariff, of course, contains many classifications where higher duties are imposed on goods purchased abroad which are "of a class or



kind made or produced in Canada."

If there is a will to assist the Canadian periodical press, we believe that a legal way can be found here to accomplish it.

Enforcement. Although opponents will attempt to exaggerate the difficulty, the enforcement of the proposed tax regulation will be relatively simple. Most business firms which are potential national advertisers are large and responsible concerns which make every effort to comply with the tax laws. Even if there were a desire to evade the additional taxation payable on an advertisement in a foreign periodical, it would be difficult to conceal the expenditure when the advertisement itself is on public view. A routine spot check of such advertisements to make certain that they were not deducted as business expenses would seem to us to be sufficient to guarantee general observance of this tax law. It must be kept in mind that it is the inhibitive effect of the amendment, rather than the revenue to flow from its enforcement, that is the prime consideration.

More Harm Than Good? It will probably be argued that the proposed amendment would produce the same result as the ineffectual advertising tax imposed by a previous government, i.e. Canadian firms would simply budget more money for





these foreign periodicals and have less left for Canadian media.

This argument is unsound here. The former tax was a tax on the magazine company. Only a portion of it was passed on to the advertiser and, amid steadily-rising costs, he readily adjusted to the small additional charge. Since the burden of the tax was not on the advertiser himself, it had little effect on his decision to patronize a Canadian instead of a foreign periodical.

The proposed amendment adds about 100 per cent to the cost of an advertisement in a foreign periodical. This amount will be impressive to any businessman. There is the added influential factor that the advertiser, not the magazine, must note the transaction in his tax accounts. There is no doubt that these two considerations will be persuasive and constant reminders to any Canadian advertiser that he is serving his own and the national interest by placing his advertising in a bonafide Canadian medium.

Advertisers' Freedom. Any Canadian advertiser who contends that these foreign periodicals are vital means of communication with his Canadian market will still be free to use them -- but at a cost which takes account of his failure to expend the funds in a Canadian medium. He cannot



argue truthfully that there is a lack of Canadian media. This country has hundreds of daily and weekly newspapers, radio and television stations in every sizeable community, several nationally-circulated weekend newspapers, and a number of struggling but ambitious national magazines. The amendment proposed by Realm News Service is designed to direct into these channels the many millions of dollars which are diverted annually to these foreign publications. All Canadian advertising media will gain if this is done. But Canada's periodical press, which now is affected most directly by this unfair competition and is in the greatest need of increased revenues, will benefit most by the enactment of this measure.

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SUBMISSION OF THE ASSOCIATION OF  
PROFESSIONAL ENGINEERS OF THE  
PROVINCE OF ONTARIO

SUMMARY OF BRIEF

The scope of professional engineering is world-wide, and its techniques are expressed in the international language of mathematics, physics, and chemistry.

Engineering skills are transmitted through our teachers, many who come from different lands, and by means of technical publications which are distributed on an extra-territorial basis. Education in the technology of engineering knows no political boundaries.

Technological growth in the twentieth century has been explosive, and to maintain a competitive position Canadian engineers must have free access to it all.

RECOMMENDATION

The Association of Professional Engineers of the Province of Ontario, representing 19,414 professional engineers, respectfully recommends that the Royal Commission on Publications reject any suggestion that might be made which would tend to hinder the free interchange of scientific, technological and/or engineering information between Canadian engineers and the rest of the world in:

a) monographs and technical papers. b) journals, proceedings and transactions of scientific and/or





engineering societies. c) commercially published technical magazines. d) text books.

### BRIEF

The International Language of Professional Engineering The practice of professional engineering involves the development and utilization of the resources of Nature for the benefit of Mankind. Faculties of engineering are frequently referred to as faculties of Applied Science, and correctly so, for, more specifically, engineering in developing and utilizing the resources of Nature applies to the task the basic tools of mathematics, physics, and chemistry. The language of Science is international. Mathematical formulae which have been derived from observations in Japan or in the United Kingdom, to predict the movements of stars beyond our own universe, may be understood by a Russian or a German scientist. The laws enunciated by a Newton or an Einstein to explain physical phenomena are not restricted to a single political jurisdiction. The thermo-nuclear reaction will take place wherever its ingredients are put together, on the surface of the sun or in the Urals of Central Russia.

Engineering makes use of the universal language of Science and depends upon it to express its myriad applications to the machines, structures, transportation facilities and industrial plants and processes of our modern world.



The great advances in ~~man~~'s knowledge of our own planet that were made during the International Geophysical Year, well publicized in recent issues of Life Magazine, indicate what can be gained by scientific consultation on an international scale. Similarly, in engineering, our new 401 Highway System in Ontario reflects the advances made by German engineers in designing the autobahns of that country, of U.S. engineers in building their through-ways, and of Venezuelan, French, and Italian engineers in the development of pre-stressed concrete bridging techniques. It is interesting to surmise to what extent our own Canadian engineering skills might have progressed in this connection, had Canadian engineers been insulated from foreign advances in highway engineering. The Corduroy and macadam roads of pioneer days would not stand up well to modern traffic! Conversely, Canadian professional engineers have contributed much to the dynamic growth of international engineering skills, particularly in the fields of the natural resource industries such as mining, pulp and paper, and hydro-electric power. The Warsak power development in West Pakistan is an outstanding example of the latter.

#### Transmission of Engineering Skills.

Undergraduate Education Some 72% of those entering the engineering profession in Ontario today are graduates of our excellent Canadian Universities,



10% are graduates of universities of the Commonwealth, 6% are from the U.S., 7% from European universities, and 5% are admitted having passed the examinations prescribed by the Council of this Association.

A glance at the 1960-61 Calendar of the Faculty of Applied Science and Engineering of the University of Toronto discloses that many of the teaching staff obtained their education outside Canada. Many of the text books and reference books of the courses of study are of foreign origin. Education at the University level knows no political boundaries.

A list of Engineering Colleges and Schools, whose degrees and diplomas are recognized by the Council of the Association as meeting the academic standards required for admission to the engineering profession in Ontario is attached as Appendix "A".

The Association's list of Suggested Reference Texts, prepared for use by those who write its examinations for admission to the profession, is attached as Appendix "B". It will be noted here also, that many of the texts are of foreign origin. In the opinion of the Profession, these books are the best that are available; and, in this connection we must ask ourselves: Is anything but the best acceptable? Closer scrutiny of the list discloses that a number of text-books



written by Canadian authors are published by British or American publishing houses. Again the internationalism of engineering is indicated. Is it not proper that Canadian authors should have access to the wider markets enjoyed by these foreign publishers than those of our Canadian firms?

### Post Graduate Education

Upon graduation the neophyte engineer possesses a degree, and if he is wise and likely to succeed, is possessed of a sense of humility when he contemplates the magnitude of his own ignorance. He has been taught how to learn, but little else, and his education must be pursued assiduously throughout his professional career. The growth of engineering knowledge in the twentieth century has been explosive, and he must keep pace, or fall by the wayside.

Part of an engineer's duty to his Profession, and to himself is to pass on to his professional colleagues (except where this is hampered by security regulations) the technical details of advances that he has been fortunate enough to make. The truly dynamic growth of knowledge is expressed in monographs, and papers, often privately published and frequently in a foreign language, and in the transactions of technical engineering societies, many of which have members in all parts of the world. Text





books are written later, but must also be freely available.

A list of journals and transactions subscribed to by a young Canadian aeronautical engineer, and referred to by him regularly in the course of his professional work, is attached as Appendix "C". The first sixteen listed are published in the U.S., eight are published in the United Kingdom, and the last in Australia.

#### Conclusion

It has come to be widely recognized that, notwithstanding the internationalism of engineering, any nation that falls behind in the world race for technological supremacy is doomed to occupy a position of inferiority to those that succeed. In equipping themselves for this race, Canadian engineers cannot afford to overlook any new development, wherever it occurs and by whomsoever it is made. The sum total of human knowledge applied to this race is none too great.



Mr. P.M. Pitfield,  
Secretary,  
Royal Commission on Publications,  
Ottawa, Ontario.

January 16, 1961

Re: Brief of the Association of  
Professional Engineers of the  
Province of Ontario

Dear Sir:

I have been instructed to advise you that the following associations of Professional Engineers are in complete agreement with the brief submitted to your Commission by the Association of Professional Engineers of Ontario and request that their support of this brief be recorded in the proceedings of the Commission:

The Association of Professional  
Engineers of Alberta

The Association of Professional  
Engineers of British Columbia

The Association of Professional  
Engineers of Manitoba

The Association of Professional  
Engineers of Nova Scotia

The Association of Professional  
Engineers of Prince Edward Island

The Corporation of Professional  
Engineers of Quebec

The Association of Professional  
Engineers of Saskatchewan

These Associations, together with the  
Ontario Association represent some 36,000



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professional engineers or 98.3% of all Professional Engineers in Canada.

The Associations of Professional Engineers of Newfoundland, New Brunswick and the Yukon have been unable to study the matter sufficiently to be in a position to express an opinion.

It must be understood that the above mentioned brief does not apply to commercial publications which are not strictly scientific, such as Popular Mechanics, Popular Science, etc.

Yours very truly,

Signed. Leopold M. Nadeau,  
P. Eng.,  
Executive Secretary





SUBMISSION OF  
NATIONAL BUSINESS PUBLICATIONS LIMITED

There are three points expressed in the Seccombe House submission to this Royal Commission which we believe are not wholly in accordance with the facts. We should like to comment upon these points at this time.

The first point is contained in their paragraph 3f which reads as follows:

"At the end of World War II, among our publications was a dental journal called 'Oral Health'. Our publishing of 'Oral Health' gave us connection not only with the dental profession but with the medical profession as well. We were told that the extraordinary progress in medicine since 1939 and the rate of progress forecast for the future, made it imperative that Canadian doctors should have a journal to keep them abreast regularly and quickly with all the significant developments in medicine, not only from Canadian medical centres, but from all other good medical centres everywhere. It would be superfluous to describe the many discussions that followed, with members of the profession and with



medical editors; or the intensive examination of other medical journals, in Canada and in many other countries. Finally, however, our surveys showed us that there was a publication in the United States (and it was the only one anywhere) which performed the functions we were told were essential for the Canadian medical profession at this time. This journal was, and is, called 'Modern Medicine'. My brother, N. M. Seccombe, now Chairman of the Board of the associated companies at Seccombe House, and I, had two alternatives. Either to attempt to establish a parallel publication in Canada, or to make some arrangement with the United States publication. It was immediately clear that the size of the Canadian market (both potential readers and advertisers) made it impossible to originate a publication in Canada, depending on the Canadian market, which would be able to chart every worthwhile development in international medicine and present it capably to the medical profession in Canada. On the other hand, like most Canadians, we were not desirous of acting a satellite role to a foreign organization. We did



'not think it would be an advantage for our House or for our readers. We, therefore, proposed, and concluded an arrangement with the publisher of 'Modern Medicine' in the United States whereby we would publish, in equal partnership, a Canadian version of 'Modern Medicine' in the United States whereby we would publish, in equal partnership, a Canadian version of 'Modern Medicine', which we would control and manage, 50 per cent of which we would own, and the contents of which would be chosen by Canadian editors. In passing, I would say their acceptance of this arrangement was a credit to the vision of the United States publishers."

Today there are 98 Canadians shown to be receiving the United States edition of "Modern Medicine" according to the 24th December 1960 issue of "Standard Rate and Data". We therefore assume that the United States edition of "Modern Medicine" was available to the Canadian medical profession by subscription at the time this decision was made. In fact, then, the need which has been outlined could have been readily satisfied, for those medical persons who had the interest, by subscribing to the United States edition of "Modern Medicine".



Indeed, there are 396 journals listed in the medical-surgical section of "Standard Rate and Data", in their 24th December 1960 issue, which are available to interested doctors through subscription. Many of these journals now have Canadian subscribers.

We submit, therefore, that the publishing of a Canadian version of "Modern Medicine" was a device by which a package could be created for re-selling the editorial content to advertisers in unfair competition with Canadian publications. The reasons behind the decision would seem to have been largely motivated by financial considerations.

The second point is contained in paragraph 3m of their submission which reads as follows:

"Furthermore, every edition of 'Modern Medicine' has the rights to all the editorial content originated by any other edition so that the readers of "Modern Medicine of Great Britain", for example, are presented with material which may have been originally selected by Canadian or Australian or United States editors as well as British editors. Thus, all editions of 'Modern Medicine' are local, and international, at the same time. And we believe this policy contributes to the progress of medicine everywhere. Naturally, the physicians are





'glad to co-operate, since it gives their ideas much wider circulation than is possible in any other way."

It would appear that this operation follows very closely the pattern of the "Reader's Digest" operation.

Further, the implication here is that a large percentage of the editorial content of "Modern Medicine" originates in Canada. An analysis of the 10 issues, January to October 1960, inclusive, suggests, however, that only about four per cent of the editorial content originated in Canada. (Exhibit 1).

Mr. Seccombe does not reveal the costs of acquiring this editorial material. However, it would seem reasonable to assume that the cost of acquiring editorial material which was originally created for publication in a foreign domestic edition would be much less than the cost of either creating similar quality material in Canada, or of acquiring similar quality material outside Canada.

The third point is contained in their paragraphs 7c and 9b, which follows:

"We do not, however, believe that the threat to the industry's future comes from foreign publications. Indeed, there is only one section of the periodical press which



"is exposed to any extent to foreign competition.

While we do not belong to that section, our own experience with foreign competition in the professional periodical field (described in paragraph 2e) would suggest that foreign competition, and powerful foreign competition, can be contained and indeed, like any competition, has salutary consequences.

Furthermore, to quote from the brief submitted for the Government of Ontario to the Royal Commission on the Automotive Industry, October 1960: 'Canada and Canadians will be strong only by exposing themselves to competition from abroad.'

We believe that the presence of foreign publications in Canada is not to be deplored. We believe that the Canadian public at large considers that good foreign publications perform a valuable and often irreplaceable service for Canadians."

No section of Canadian publishing is more exposed to foreign competition than is Canadian medical publishing. Apart from the "Canadian Medical Association Journal" which is published in Canada by the Canadian Medical Association, there are three publications designed for the medical profession as a whole on a national basis. One is Canadian -



7

- 12 -

"Canadian Doctor", published by our own company; two are "Canadian" editions of United States publications, or function in the same way as "Canadian" editions of foreign publications in that a very high percentage of their editorial content is imported from the United States domestic edition.

The matter before this Commission is not a question of judging the quality of editorial content, or of passing judgment on the character of the editorial board of any publications, but rather the matter of deciding whether there is a question of unfair competition.

If the needs of Canadians to be informed, and the wishes of Canadians to have freedom of choice of their reading material, can both be satisfied by subscribing to the regular domestic editions of foreign publications, then there is no question of denying Canadians access to medical, religious, scientific or technical knowledge.

We submit that a publication, no matter how disguised, which uses 96 per cent of the editorial content of a foreign publication of the same name, does so largely for the purpose of creating a package which can be sold to advertisers in unfair competition with Canadian publications.

The competition is unfair because the true costs of rendering the service have been reduced





by operating in conjunction with the domestic edition of a foreign publication.

We submit that a medical, religious, scientific or technical publication using this device, presents unfair competition in the same way that a non-medical, non-religious, non-scientific or non-technical publication presents unfair competition.

We submit that, so long as a foreign domestic edition of a medical, religious, scientific or technical periodical is available to Canadians by subscription, there is no restriction placed upon the free flow of information.

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(Exhibit 1)

ANALYSIS OF EDITORIAL CONTENT -

CANADIAN VERSUS NON-CANADIAN -

"MODERN MEDICINE OF CANADA"

10 issues, January to October 1960, inclusive

Following is analysis of the articles or items of varying length published during specified months in 1960. This does not include correspondence from readers nor a continuing department entitled "Diagnostix" (which appears to be inherently United States in origin), nor the editorials, which are evidently Canadian, but comprehends essentially the articles and items which are the fundamental editorial content of the publication:



Month	U.S. Origin	Canadian Origin	British & Common- wealth	Other Foreign	TOTAL
January	97	4	5	2	108
February	94	4	7	1	106
March	65	5	8	3	81
April	76	4	4	2	86
May	78	3	5	2	88
June	63	4	5	0	72
July	49	1	6	0	56
August	49	2	7	1	59
September	31	0	0	1	32
October	83	3	6	0	92
TOTALS	685	30	53	12	780
% of Total (10 months)	87.7	3.9	6.8	1.6	100.0

Thus: Non-Canadian content, 10 issues - 96.1 per cent

Canadian content, 10 issues -- 3.9 per cent

















